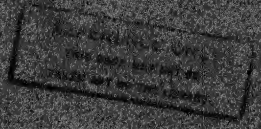
dti

the department for Enterprise

REVISED PROPOSALS FOR LEGISLATION ON CREDIT MARKETING

December 1991



A Consultative Document

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REVISED PROPOSALS FOR NEW LEGISLATION ON CREDIT MARKETING
A Consultative Document
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Annex A

Draft of the Consumer Credit (Advertisements) Regulations 1992

Annex B

Draft of the Consumer Credit (Agreements) Regulations 1992 - omitting those Schedules and parts of Schedules of the 1983 Regulations which it is not proposed to amend

Annex C

Draft of the Consumer Credit (Conduct of Business) (Lending Practices) Regulations 1992

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Draft of the Consumer Credit (Quotations) (Secured Variable Interest Rates) Regulations 1992

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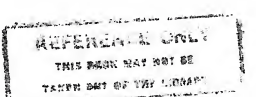
Preliminary Compliance Cost Assessments

Annex F

Summary of Views of Consultees on Proposals in 1990 Consultative Document

Annex G

List of Consultees



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1 INTRODUCTION

1.1 The purpose of this document is to seek the views of interested parties on the Government's revised proposals for legislation on credit marketing and on the related Compliance Cost Assessments.

1.2 The consultative document "Proposals for New Legislation on Credit Marketing" was sent out in December 1990. Some 500 individuals and organisations were sent copies of the document and 137 have sent in written submissions on the proposals. A summary of the views expressed by consultees on the 1990 document is at Annex F of this document. These views have been taken into account in preparing the revised proposals set out in this document.

1.3 Although comments on any aspect of the proposals in this consultative document will be considered, the main purpose of this consultation is to obtain comments on the draft implementing regulations.

1.4 Comments and requests for extra copies of this document should be addressed to:-

Tony Colmans
Department of Trade and Industry
Consumer Affairs Division 1
Room 406
10-18 Victoria Street
London SW1H ONN

Telephone: 071-215 3254

1.5 The closing date for comments is 15 January 1992.

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2 PROPOSALS FOR AMENDING THE CONSUMER CREDIT ACT

2.1 The Government has announced its intention as soon as legislative time is available to amend the Consumer Credit Act 1974 to improve the protection provided by the Act's provisions on the sending of credit circulars to minors and on cancellation rights. These proposals are additional to the proposals to amend the Consumer Credit Act set out in the 1988 White Paper "Releasing Enterprise".

Sending of Credit Circular to Minors

2.2 Proposal To remove the defence provided by Section 50(2) of the Consumer Credit Act for a person who has breached the prohibition on sending credit circulars to minors. If the credit circular contains a prominent and clear statement that the credit being offered is not available to persons under the age of 18, there will be a new defence available in place of that in Section 50(2) that appropriate precautions have been taken to minimise the risk of the circular being sent to anyone under the age of 18. If the circular does not contain such a statement the only defence available will be that in Section 168.

2.3 Comment The aim of this proposal is to ensure that as far as practicable credit circulars are not sent to minors. However, it is recognised that there are considerable compliance costs for business in carrying out checks on mailing lists which are sufficiently rigorous as to satisfy the defence in Section 168 of the Act. It is also considered that much less harm is done if a circular sent to a minor states that credit is available only to people over 18 than if the circular contains no such statement. However, even in the former case, the circular may be detrimental to the extent that

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16 or 17 year olds may form the intention of applying for credit as soon as they are 18.

2.4 A common method of checking whether a person is an adult is to see whether his name and address are on the electoral roll. It has been suggested that the EC directives on data protection may preclude such checks. The DTI does not interpret the draft directive as having this effect. It has also been suggested that action by the Data Protection Registrar may in future prevent the use of the electoral roll for this purpose. The Registrar has publicly expressed concern about the wider use of the electoral roll, but his office has indicated that in this particular case the cross-checking of mailing lists against the electoral roll would be preferable to the systematic holding of dates of birth.

Cancellation Rights

2.5 Proposal To extend the cancellation rights provided by sections 67 and 68 of the Consumer Credit Act to cover debtor-creditor-supplier agreements (as defined by section 12) and hire agreements which are signed on trade premises following face-to-face negotiations subject to the following points:-

(a) debtors should have the right to contract out of the cancellation rights if the agreement is to finance goods and the supplier agrees either to deliver the goods or to carry out work on the goods to make them ready for delivery within the period when the agreement would have been cancellable or to use his best endeavours to do so;

(b) suppliers should not be able to make waiver of cancellation rights a condition of any sale;

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(c) debtors should forfeit their cancellation rights if goods are not returned or are returned in a condition significantly worse than that in which they were supplied.

2.6 Sections 67 and 68 of the Act are to be amended to align all cancellation periods under these sections on the basis that the period should commence on signature by the debtor of the agreement and should end 7 days afterwards.

2.7 Comment The aim of this proposal is to allow debtors the right to cancel agreements which they may have entered into on impulse without giving sufficient thought as to their ability to make repayments. It is proposed that debtors should have the right to waive cancellation rights as otherwise they could be inconvenienced if retailers refuse to release goods until the cancellation period has expired. The provisions determining the length of the cancellation period are to be simplified and brought into line with those in the EC directive on doorstep selling.

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3 PROPOSALS FOR AMENDING THE CONSUMER CREDIT (ADVERTISEMENTS) REGULATIONS

3.1 Section 44 of the Consumer Credit Act gives the Secretary of State a power to make regulations about the form and content of advertisements. Breach of the regulations is a criminal offence and also provides grounds for the revocation of a consumer credit licence held by the person concerned.

Credit Advertisements Containing Information About Price

3.2 Proposal If a credit advertisement includes any information about the price of credit, it must be a full credit advertisement. Information about the APR and interest rate shall be given no more prominence than details of the amounts payable and the prescribed statements.

3.3 Comment The aim of this proposal is to help consumers understand the cost of the credit being advertised and to judge value for money and affordability. Whilst the APR is the best measure consumers can use to compare credit offers, the ideas behind it are complex and consumers would be helped to appreciate the level of commitment if an actual monetary amount is also stated.

Prescribed Statement about Security, Foreign Currency Mortgages and Affordability

3.4 Proposal All intermediate and full credit advertisements should have to include prescribed statements. The statement to be included will depend on the nature of the credit being advertised and whether the advertisement uses the expression "secured loan". The details are as follows:

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Type of Credit and Advertisement		Prescribed Statement To Be Included
1	Where security comprises or may comprise a mortgage charge on the debtor's home, and paragraph 2 does not apply	
	(a) non-foreign currency loan	**IMPORTANT: YOU RISK LOSING YOUR HOME IF YOU DON'T KEEP UP MORTGAGE PAYMENTS.**
	(b) foreign currency loan	**IMPORTANT: YOU RISK LOSING YOUR HOME IF YOU DON'T KEEP UP MORTGAGE PAYMENTS. THE AMOUNT YOU OWE MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS.**
2	Security comprises or may comprise a mortgage on the debtor's home and the whole of the loan must be applied to the purchase of an annuity which in all circumstances will be sufficient to cover payments under the agreement during the life time of the borrower.	**IMPORTANT: UNDER THIS SCHEME A LOAN WILL HAVE TO BE REPAID AFTER THE BORROWER'S DEATH, IF NECESSARY BY SELLING THE BORROWER'S HOME.**
3	All other credit advertisements.	**IMPORTANT: DON'T BORROW UNLESS YOU CAN KEEP UP THE PAYMENTS.**

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3.5 Comment The aim of this proposal is to give consumers advice and information about the costs and risks of credit at an early stage in their consideration of a new commitment. As it is recognised that there are limits on the amount of information in advertisements which will be understood and retained, the prescribed statements are short and simple. The prescribed statements are to be preceded by the word "important" in order to attract attention to the statement.

Prescribed Statement about Variable Rates and Other Variable Charges

3.6 Proposal The following prescribed statement should be included in full credit advertisements for credit agreements under which the rate or amount of any item included in the total charge for credit will or may be varied.

A VARIABLE

B PAYMENTS MAY VARY DUE TO CHANGES IN THE INTEREST RATE AND OTHER ITEMS

The prescribed statement at A should immediately follow the APR and the prescribed statement at B should immediately follow the information about the frequency number and amount of payments by the debtor under the advertised transaction.

It will be permissible to substitute for the words "and other items" a more precise description of the items which may be varied. If the rate or amount of all items included in the total charge for credit are fixed except for the interest rate, the words "and other items" must be deleted from the prescribed statement.

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3.7 Comment The aim of this proposal is to alert prospective debtors to the possibility that the actual payments under the advertised agreement may be greater or less than in the example shown in the advertisement. Substantial increases in the interest rates under a variable rate agreement may increase the payments to a level which the debtor is unable to maintain.

Advertisements on Radio, TV and Film

3.8 Proposal The requirement in Regulation 2(6) of the 1989 Advertisement Regulations that information must be "easily legible" should be changed to a requirement that it must be "easily legible or easily audible". The requirement in Regulation 2(6) that information must, with certain exceptions, "be shown together as a whole" should be changed to a requirement that it must be "communicated together as a whole". The requirements in Regulation 8(2) about the prominence of prescribed forms of statement should be supplemented by a requirement that if the advertisement uses sound the prescribed statements must be spoken.

3.9 Comment The proposed amendments to Regulations 2(6) are self-explanatory. The proposal to amend Regulation 8(2) is intended to ensure that information is communicated effectively. Oral statements generally get more attention than text shown on the screen.

Use of Examples in Advertisement

3.10 Proposal Where advertisements give examples which include details of any of the following items, each such example shall include details of all the items. The items are:-

(a) number, frequency and amount of payments by the debtor;

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(b) total amount payable by the debtor;

(c) APR.

There should be a reasonable contemplation by the advertiser that at least 51 per cent of the loans made as a result of the advertisement will be at or below one or more of the APRs quoted in the advertisement.

3.11 Comment The aim of this proposal is to avoid prospective borrowers being misled by incomplete examples or by being quoted examples of terms which are unlikely to be available except in a small minority of cases.

Total Amount Payable

3.12 Proposal It is proposed to stipulate specific assumptions to be used in calculating the Total Amount Payable APR and the "Other Payments and Charges" referred to in paragraph 13 of Part III of Schedule 1 of the 1989 Advertisement Regulations in the case of low start loans.

3.13 Comment The aim of this proposal is to ensure that the total amount payable shown in advertisements is calculated on assumptions which are reasonable and which are the same for all advertisers.

Minor Amendments

3.14 It is proposed to subdivide the intermediate and full categories of credit and hire advertisement according to whether the facilities being advertised are secured or not. The intention is to make it easier for advertisers to identify the requirements applying to the facility to be advertised.

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3.15 It is proposed to amend the references in Schedules 1 Part II and Schedule 2 Part II to names, addresses and telephone numbers to make it clearer than at present that the name of the advertiser, creditor or owner (as the case may be) must always be disclosed and that the only choice is between whether to give an address or a phone number or both. It is considered that this is already the effect of the regulations but the wording in Schedule 1 of Part II paras 1 and 10(k) and in Schedule 2 Part II paras 1 and 10(g) is sometimes misinterpreted. It is also proposed to correct a misprint in Part III of Schedule 1 by substituting for references to "sub-paragraph (1)" in paragraph 12(3)(b) references to "sub-paragraph (2)".

3.16 There are no other proposals for amending the Consumer Credit (Advertisements) Regulations.

<u>Other Proposals in 1990 Consultative Document for Amending the 1989 Advertisement Regulations</u>

3.17 The 1990 Consultative Document also contained the following proposals for amending the Consumer Credit (Advertisements) Regulations.

(a) A credit advertisement should not contain the expression "instant credit" and other expressions of similar effect unless it is a full credit advertisement.

(b) Certain advertisements relating to loans which may be used to purchase residential property in the UK and for which security over land is or may be required must contain a prescribed form of words about tying-in of services.

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Having considered the comments made in response to the 1990 Consultative Document it has been decided not to make any amendments to the Advertisement Regulations in these areas. Proposal (a) would have made it difficult to bring to the attention of consumers facilities which are convenient. Proposal (b) might have resulted in advertisements containing too much information for effective communication. It is now proposed that the aim of alerting consumers to the tying-in of services and their rights under the Courts and Legal Services Act is to be achieved in a different way.

Coming into Force

3.18 It is proposed that the regulations should come into force 4 months after they are laid in Parliament but that at the end of the 4 months there should be a 2 month transitional period in which advertisements need not comply with the new regulations provided that they comply with the old ones.

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PROPOSALS FOR AMENDING THE CONSUMER CREDIT (AGREEMENTS) REGULATIONS

4.1 Section 60 of the Consumer Credit Act provides that the Secretary of State "shall make regulations as to the form and content of documents embodying regulated agreements". A document is not properly executed unless it complies with the regulations. Improperly executed regulated agreements are enforceable only with the permission of the the Court. Breach of the regulations also provides grounds for the revocation of the licence of the person concerned.

Warnings about Security, Foreign Currency Mortgages and Affordability

4.2 All credit agreements should have to include prescribed statements in the signature box. The statements to be included will depend on the nature of the agreements. The details are as follows.

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TYPE OF AGREEMENT	PRESCRIBED STATEMENT
1 Where security comprises or may comprise a mortgage on land and paragraphs 2 and 3 do not apply	
(a) non-foreign currency loan	**IMPORTANT: IF YOU DO NOT KEEP UP PAYMENTS UNDER THIS AGREEMENT YOU RISK LOSING THE MORTGAGED PROPERTY**
(b) payments by the borrower are to be determined by reference to a currency or unit of account other than sterling or there is an option for them to be so determined	**IMPORTANT: THE AMOUNT OWING UNDER THIS AGREEMENT MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS. IF YOU DO NOT KEEP UP PAYMENTS YOU RISK LOSING THE MORTGAGED PROPERTY.**
(c) payments by the borrower are to be made in a currency other than sterling or there is an option for them to be so made	**IMPORTANT: THE STERLING EQUIVALENT OF THE AMOUNT OWING UNDER THIS AGREEMENT MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS. IF YOU DO NOT KEEP UP PAYMENTS YOU RISK LOSING THE MORTGAGED PROPERTY.**
2 Where security comprises or may comprise a mortgage or charge on land and paragraph 3 does not apply	
(a) non-foreign currency loan	**IMPORTANT: IF YOU DO NOT KEEP UP PAYMENTS UNDER THIS AGREEMENT YOU RISK LOSING THE PROPERTY ON WHICH IT IS SECURED.**
(b) payments by the borrower are to be determined by reference to a currency or unit of account other than sterling or there is an option for them to be so determined	**IMPORTANT: THE AMOUNT OWING UNDER THIS AGREEMENT MAY BE INCREASED BY EXCHANGE MOVEMENTS. IF YOU DO NOT KEEP UP PAYMENTS YOU RISK LOSING THE PROPERTY ON WHICH IT IS SECURED.**
(c) payments by the borrower are to be made in a currency other than sterling or there is an option for them to be so made	**IMPORTANT: THE STERLING EQUIVALENT OF THE AMOUNT OWING UNDER THIS AGREEMENT MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS. IF YOU DO NOT KEEP UP PAYMENTS YOU RISK LOSING THE PROPERTY ON WHICH IT IS SECURED.**

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TYPE OF AGREEMENT	PRESCRIBED STATEMENT
3 Security comprises or may comprise a mortgage on the debtor's home and the whole or part of the loan must be applied to the purchase of an annuity which in all circumstances will be sufficient to cover payments under the agreement during the life time of the borrower.	**IMPORTANT: UNDER THIS HOME INCOME SCHEME A LOAN WILL HAVE TO BE REPAID AFTER THE BORROWER'S DEATH, IF NECESSARY BY SELLING THE BORROWER'S HOME. DO NOT SIGN THIS AGREEMENT UNLESS YOU WANT TO BE LEGALLY BOUND BY ITS TERMS.**
4 Rental Purchase of Homes	**IMPORTANT: YOUR LOCAL CITIZENS ADVICE BUREAU OR TRADING STANDARDS DEPARTMENT CAN GIVE YOU FREE ADVICE ON THE ADVANTAGES AND DISADVANTAGES OF THIS TYPE OF AGREEMENT AND ON HOW TO SEEK ADVICE FROM SOLICITORS EITHER FREE OR AT REDUCED FEE.**
5 Pawn Agreements	**IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU WANT TO BE LEGALLY BOUND BY ITS TERMS. THIS DOCUMENT IS ALSO YOUR PAWN RECEIPT KEEP IT SAFELY.**
6 Agreements for Running Account Credit	**IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU WANT TO BE LEGALLY BOUND BY ITS TERMS.**
7 All other Agreements	**IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU ARE SURE THAT YOU CAN KEEP UP THE PAYMENTS.**

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4.3 Comment The aim of this proposal is to give prospective debtors advice about the costs and risks of credit at the final stage before they enter into a commitment. The prescribed statements are to be included in the signature box of agreement forms in order to maximise the probability of the statement being seen and read by the prospective debtor. The statements are short and simple in order to maximise the probability of them being read and understood. The statements are to be preceded by the word "important" in order to attract the borrowers attention.

Weekly Equivalent

4.4 Proposal To prohibit the inclusion of examples of periodical equivalents in agreement forms, or in documents referred to in the agreement forms, where the agreement does not provide for such arrangements.

4.5 Comment The reason for the proposal is self-evident. The practice misleads consumers. DTI's 1990 consultative document also contained this proposal. Consultees who commented on the proposal generally agreed with it.

Inertia Selling

4.6 Proposal No credit agreement shall contain inertia selling provisions: ie provisions such as negative options which have the effect that an optional service will be provided at a charge to the borrower unless he takes some positive action to decline the servic

4.7 Comment The Government takes the view that in relation to consumer credit people should not be charged for services which they have not positively and expressly requested.

4.8 At present many inertia selling provisions are in agreements. The effect of making the inclusion of such provisions a breach of the Agreements Regulations is not only that the person responsible is liable to face licensing action but also regulated agreements which

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are in breach of the Regulations are enforceable only with leave of the Court. There is also a proposal to prevent such provisions being included in consumer credit documents other than agreements: see paragraph 5.10 below.

Coming into Force

4.9 It is proposed that the regulations should come into force 4 months after they are laid in Parliament but that at the end of the 4 months there should be a 2 month transitional period in which agreements nee not comply with the new regulations provided that they comply with the old ones.

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5 PROPOSALS FOR REGULATIONS ON THE CONDUCT OF BUSINESS

5.1 Sections 26 and 54 of the Consumer Credit Act give the Secretary of State a power to make regulations about the conduct by a person licensed under the Act of his business and his seeking of business. Breach of the regulations provides grounds for revocation of the licence of the person concerned and, in the case of regulations which apply to the seeking of business, is a criminal offence.

Sending Credit Circulars to Minors

5.2 Proposal Persons licensed under the Consumer Credit Act should: take appropriate precautions to minimise the risk of sending credit circulars to minors and; take all reasonable precautions to ensure that any credit circular inadvertently sent to a minor clearly states that credit is not available to minors.

5.3 Comment The aim of this proposal is to ensure that as far as practicable credit circulars are not sent to minors. However, it is recognised that there are considerable compliance costs for business in carrying out checks on mailing lists which are sufficiently rigorous as to satisfy the defence in Section 168 of the Act. It is also considered that much less harm is done if a circular sent to a minor states that credit is available only to people over 18 than if the circular contains no such statement. However, even in the former case, the circular may be detrimental to the extent that 16 or 17 yea olds may form the intention of applying for credit as soon as they are 18.

5.4 It would impose undue costs on businesses if they were required to keep copies of mailing lists and precautions. Accordingly no such requirement is now proposed.

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Sending Unsolicited Credit Circulars To People Who Do Not Wish To Receive Them

5.5 Proposal Persons licensed under the Consumer Credit Act should have to ensure that all credit circulars which they issue contain a statement advising people who not want to receive further credit circulars from them to notify the licensee of the fact. The statement should also invite the recipient to notify the licensee if he does not wish his name to be forwarded by the licensee to related companies and to third parties for inclusion on mailing lists. The licensees should also take all reasonable precautions to ensure that they do not send any further credit circulars to people who have asked them not to do so. Credit circular is to be defined on the lines of Section 50(1) of the Act.

5.6 Comment The aim of this proposal is to give people who receive credit circulars from a licensee the opportunity to stop that licensee from sending them further circulars or passing on their name to other parties for inclusion on their mailing lists.

5.7 Although consultees have suggested that this proposal may breach Article 10 of the Council of Europe Convention of Human Rights, it is not considered that there would be any breach of the Convention.

Credit Limits

5.8 Proposal A person licensed under the Consumer Credit Act should not increase the credit limit under any agreement for running account credit (except where he intends the excess on that limit to be temporary) unless the increase has been requested by the debtor or is simply an adjustment for inflation.

5.9 Comment This proposal is intended to ensure that increases in credit limits, other than adjustments for inflation, should only be made at the request of the borrower. Card issuers would not be prohibited from inviting borrowers to apply for a higher limit. Selective

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solicitation by a message on the monthly payment slip could provide a convenient and cost-effective way of allowing creditworthy consumers to arrange higher limits if they want to do so.

Inertia Selling

5.10 Proposal A person licensed under the Consumer Credit Act should not present or send to borrowers or prospective borrowers consumer credit documents containing inertia selling provisions: ie provisions such as "negative options" which have the effect that an optional service will be provided at a charge to the borrower unless he takes some positive action to decline the service.

5.11 Comment As stated in paragraph 4.7 the Government takes the view that in respect of consumer credit people should not be charged for services which they have not positively and expressly requested. The proposal described in paragraph 4.6 will prevent inertia selling provisions being included in credit agreements. The proposal in paragraph 5.10 will prevent them being included in other consumer credit documents such as application forms.

Coming into Force

5.12 It is proposed that the new Regulations should come into force 6 months after they are laid in Parliament.

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PROPOSALS FOR REGULATIONS ON THE QUOTATIONS FOR SECURED VARIABLE INTEREST RATE AGREEMENTS

6.1 Sections 52 and 152 of the Consumer Credit Act give the Secretary of State a power to make regulations requiring a person carrying on a consumer credit or consumer hire business or ancillary credit business to provide quotations in a prescribed form and manner and in such circumstances as may be prescribed. Breach of the regulations is a criminal offence. A regulated agreement is not properly executed unless any such regulations which have been made are complied with before the making of the agreement. Improperly executed regulated agreements are enforceable only with the permission of the Court. Breach of the regulations also provides grounds for the revocation of the licence of the person concerned.

Explanation of Potential Commitment

6.2 Proposal Anyone who is offering to provide or arrange a variable interest rate secured loan should be required to provide to the prospective borrower in writing before the agreement is made, a statement of [A] the amounts payable under the loan if the interest rates will start at the level quoted and will remain at that level for the whole term of the loan and [B] the amounts payable under the loan in the event of interest rates being at the level determined under [A] plus 1%. The regulations will also make special rules for low-start loans.

6.3 Comment The purpose of this proposal is to alert prospective borrowers to the risks of over-commitment due to increases in the interest rate on variable rate loans. The risk is greatest in the case of high value, long term loans which are usually secured on property. Although the effect of interest rate rises on payments is often non-linear, a borrower who knows the effect of a 1% rise on payments could work out the approximate effect of any other rise by multiplying the increase in payments caused by a 1% rise by the appropriate factor (eg a 5% rise would result in an increase in monthly payments of approximately 5 times greater than a 1% rise).

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Coming into force

6.4 It is proposed that the new Regulations should come into force 6 months after they are laid in Parliament.

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COMPLIANCE COST ASSESSMENT

7. In considering proposals for new regulations, the Government places great importance on giving due weight to business perception of the likely impact on business. To measure this impact, a Compliance Cost Assessment (CCA) is produced for all such proposals, and made available to business on request. Therefore, in giving views on the proposals described in this document, it would be particularly helpful if consultees could identify and quantify any additional direct or indirect costs (recurring and non-recurring) that would be likely to arise for their business as a result.

Recurring costs - eg extra staff

Non-recurring costs - eg additional expenditure on computer systems.

A preliminary Compliance Cost Assessment is included at Annex E to assist consultees to comment on the compliance costs.

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STATUTORY INSTRUMENTS

1992 No.

CONSUMER CREDIT

The Consumer Credit (Advertisements) Regulations 1992

Made 1992
Laid before Parliament 1992
Coming into Force 1992

ARRANGEMENT OF REGULATIONS

Regulations

1. Citation, commencement, interpretation and revocation

2. Types of credit advertisements

3. Types of hire advertisements

4. Substitution of reference to APR in agreements with certain creditors

5. Relaxation of requirement to give information in certain cases

6. Special provisions as to form, clarity and lay-out

7. Use of examples in advertisements

8. Credit advertisements in dealer's publications covering a calendar or seasonal period

9. Full credit advertisements in dealers' publications

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10. Credit advertisements on the premises of a dealer

11. Restrictions on certain expressions in credit advertisements

12. Prominence to be afforded to the APR in credit advertisements and wording of prescribed information

13. Application of Regulations

14. Transitional provisions.

Schedules

1. Information in credit advertisements

Part I	-	Maximum information that may be contained in simple credit advertisements in whole or in part.
Part II	-	Maximum information to be contained in intermediate secured credit advertisements.
Part III	-	Maximum information to be comtained in intermediate unsecured credit advertisements.
Part IV	-	Minimum information to be contained in full secured credit advertisements.
Part V	-	Minimum information to be contained in full unsecured credit advertisements.
Part VI	-	Low start credit agreements.

2. Information in hire agreements

Part I	-	Maximum information that may be contained in simple hire agreements in whole or in part.
Part II	-	Maximum information to be contained in intermediate secured hire advertisements.

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Part III	-	Maximum information to be contained in intermediate unsecured hire advertisements.
Part IV	-	Minimum information to be contained in full secured hire advertisements.
Part V	-	Minimum information to be contained in full unsecured hire advertisements.

3. Provisions relating to disclosure of the total charge for credit and the APR.

The Secretary of State, in exercise of the powers conferred on him by sections 44, 151(1), 182(2) and 189(1) of the Consumer Credit Act 1974(a) and of all other powers enabling him in that behalf, hereby makes the following Regulations:-

Citation, commencement, interpretation and revocation

1 - (1) These Regulations may be cited as the Consumer Credit (Advertisements) Regulations 1992 and shall come into force on ..... 1992.

(2) In these Regulations, unless the context otherwise requires:-

"the Act" means the Consumer Credit Act 1974;

"advance payment" includes any deposit but does not include a repayment of credit or any insurance premium or any amount entering into the total charge for credit;

(a) 1974 c.39; section 189(1) defines "prescribed".

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"the APR" means the annual percentage rate of charge for credit determined in accordance with the Total Charge for Credit Regulations and Schedule 3 to these Regulations;

"cash price" in relation to any goods, services, land or other things means the price or charge at which the goods, services, land or other things may be purchased by, or supplied to, persons for cash, account being taken of any discount generally available from the dealer or supplier in question;

"cash purchaser" means, in relation to any advertisement, a person who, for a money consideration -

(a) acquires goods, land or other things; or

(b) is provided with services,

under a transaction which is not financed by credit;

"Consumer credit tables" means tables contained in Parts 1 to 15 of "Consumer credit tables" published in 1977 by Her Majesty's Stationery Office as modified by Correction Slips so published in December 1978 (being tables calculated in accordance

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with the principles set out in the Total Charge for Credit Regulations);

"contract of insurance" means a contract of insurance to which the Insurance Companies Act 1982(a) applies;

"credit advertisement" means an advertisement to which Part IV of the Act applies by virtue of it falling within section 43(1)(a) or which falls within section 151(1) of the Act in so far as section 44 is applied to such an advertisement;

"current account" means an account under which the customer may, by means of cheques or similar orders payable to himself or to any other person or by any other means, obtain or have the use of money held or made available by the person with whom the account is kept and which records alterations in the financial relationship between the said person and the customer;

"dealer" means, in relation to a hire-purchase, credit sale or conditional sale agreement under which he is not the creditor, a person who sells or

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(a) 1982 c.50.

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proposes to sell goods, land or other things to the creditor before they form the subject matter of any such agreement and, in relation to any other agreement, means a supplier or his agent;

"hire advertisement" means an advertisement to which Part IV of the Act applies by virtue of it falling within section 43(1)(b) or which falls within section 151(1) of the Act in so far as section 44 is applied to such an advertisement;

"hire payment" means any payment to be made by a person in relation to any period in consideration of the bailment to him of goods, other than an advance payment;

"identified dealer" means, in relation to an advertisement -

(a) a dealer who is named in the advertisement or is identified in it by reference to a business connection he has with the advertiser; or

(b) a dealer upon whose premises the advertisement is published;

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"premises" includes any place, stall, vehicle, vessel, aircraft or hovercraft at which a person is carrying on any business (whether on a permanent or temporary basis);

"payments to be made by the debtor" means all amounts which the debtor will be required to pay [or repay] under the transaction being advertised excluding any item payable only upon failure by the debtor or a relative of his.

"prescribed statement" means a specified form of words the inclusion of which in credit and hire advertisements is mandatory in the circumstances described;

"secured credit advertisement" means a credit advertisement for credit for which security upon any property, real or personal is or may be required.

"supplier" has the meaning assigned to it by section 189(1) of the Act, except that it does not include, in relation to a hire-purchase, credit sale or conditional sale agreement, a creditor to whom goods, land or other things are sold or proposed to be sold by a dealer before becoming the subject matter of such an agreement;

"total charge for credit" shall be determined in accordance with the Total Charge for Credit Regulations and Schedule 3 to these Regulations; and

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"the Total Charge for Credit Regulations" means the Consumer Credit (Total Charge for Credit) Regulations 1980(a)

"total amount payable" means the sum total of all amounts that the debtor will be liable for under the transaction being advertised

"unsecured credit advertisement" means any credit advertisement that is not a secured credit advertisement

(3) Any reference in these Regulations to bailment is in Scotland a reference to hiring.

(4) In these Regulations, references to repayment of credit are references to repayment of credit with or without any other amount.

(5) In these Regulations, any reference to the name of any person is -

(a) in the case of any person covered by a standard licence, a reference to any name of his specified in the licence; and

(b) in the case of any other person, a reference to any name under which he carries on business.

(6) Where any expression is used in these Regulations and in the Act, for the purposes of these Regulations that expression shall be construed as if in the Act (except section 8) references to consumer credit agreements and to regulated agreements (being consumer credit agreements) included references to personal credit agreements.

(a) S.I. 1980/51, amended by S.I. 1985/1192 and 1989/596.

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(7) The Consumer Credit (Advertisements) Regulations 1989(a) are hereby revoked.

Types of Credit advertisements

2. The person who causes any credit advertisement to be published shall ensure that, subject to the following provisions of these Regulations, every such advertisement is of one or other of the following types, namely:-

(a) a simple credit advertisement, that is to say a credit advertisement containing only the information set out in paragraphs 1 to 5 of Part I of Schedule 1 to these Regulations in whole or in part and any other information referred to in paragraph 6;

(b) an intermediate secured credit advertisement, that is to say a secured credit advertisement containing only the information set out in paragraphs 1 to 7 of Part II of Schedule 1 and no other information except as referred to in paragraph 8 to 14;

(c) an intermediate unsecured advertisement, that is to say an unsecured credit advertisement containing only the information set out in paragraphs 1-4 of Part III of Schedule 1 and no other information except as referred to in paragraphs 5-10;

(d) a full secured credit advertisement, that is to say a secured credit advertisement containing subject to sub-paragraph (e) below, at least the information set out in Part IV of Schedule 1;

(a) S.I. 1989/1125

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(e) a full secured credit advertisement which invites individuals (being individuals who, at the date the advertisement is published, are debtors under agreements made with the advertiser) to agree to a specified variation of those agreements, containing -

(i) the name of the advertiser and a postal address of his and the information within Part V of Schedule 1 as varied in relation to those agreements if the invitation is accepted by the debtor; and

(ii) the information, other than the name and a postal address of the advertiser, specified in that Part which the advertisement does not indicate will remain unaltered if the invitation is accepted;

(f) a full unsecured credit advertisement, that is to say an unsecured credit advertisement containing subject to sub-paragraph (g) below, at least the information set out in Part IV of Schedule 1;

(g) a full unsecured credit advertisement which invites individuals (being individuals who, at the date the advertisement is published, are debtors under agreements made with the advertiser) to agree to a specified variation of those agreements, containing -

(i) the name of the advertiser and a postal address of his and the information within

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Part V of Schedule 1 as varied in relation to those agreements if the invitation is accepted by the debtor; and

(ii) the information, other than the name and a postal address of the advertiser, specified in that Part which the advertisement does not indicate will remain unaltered if the invitation is accepted;

Types of Hire advertisements

3. The person who causes any hire advertisement to be published shall ensure that, subject to the following provisions of these Regulations, every such advertisement is -

(a) a simple hire advertisement, that is to say a hire advertisement containing only the information set out in paragraphs 1 to 5 of Part I of Schedule 2 to these Regulations in whole or in part and any other information referred to in paragraph 6;

(b) an intermediate secured hire advertisement, that is to say a hire advertisement containing only the information set out in paragraphs 1 to 8 of Part II of Schedule 2 and no other information except as referred to in paragraph 9;

(c) an intermediate unsecured hire advertisement, that is to say a hire advertisement containing only the information set out in paragraphs 1-5 of Part III of Schedule 2 and no other information except as referred to in paragragh 6;

(d) a full secured hire advertisement, that is to say a hire advertisement containing, subject to sub-paragraph (e) below, at least the information set

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out in Part IV of Schedule 2, but not containing the expression "no deposit" or any expression to the like effect, except where no advance payments are to be made by the hirer; or

(e) a full secured hire advertisement which invites individuals (being individuals who, at the date the advertisement is published, are hirers under agreements made with the advertiser) to agree to a specified variation of these agreements, containing:-

(i) the name of the advertiser and a postal address of his and the information within Part V of Schedule 2 as varied in relation to the hire facility if the invitation is accepted by the hirer; and

(ii) the information, other than a name and postal address of the advertiser, specified in that Part which the advertisement does not indicate will remain unaltered if the invitation is accepted;

but not containing the expression "no deposit" or any expression to the like effect, except where no advance payments are to be made by the hirer.

(f) a full unsecured hire advertisement, that is to say a hire advertisement containing, subject to sub-paragraph (g) below, at least the information set out in Part IV of Schedule 2, but not containing the expression "no deposit" or any expression to the like effect, except where no advance payments are to be made by the hirer; or

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(g) a full unsecured hire advertisement which invites individuals (being individuals who, at the date the advertisement is published, are hirers under agreements made with the advertiser) to agree to a specified variation of these agreements, containing:-

(i) the name of the advertiser and a postal address of his and the information within Part V of Schedule 2 as varied in relation to the hire facility if the invitation is accepted by the hirer; and

(ii) the information, other than a name and postal address of the advertiser, specified in that Part which the advertisement does not indicate will remain unaltered if the invitation is accepted;

but not containing the expression "no deposit" or any expression to the like effect, except where no advance payments are to be made by the hirer.

Substitution of reference to APR in agreements with certain creditors

4. In the case of a credit advertisement relating to a debtor-creditor agreement enabling the debtor to overdraw on current account under which the creditor is -

(a) the Bank of England,

(b) an institution authorised under the Banking Act 1987(a),

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(c) the Post Office for the purposes of a transaction entered into in the ordinary course of that part of the business of the Post Office which consists of the provisions of banking services, or

(d) a building society incorporated (or deemed to be incorporated) under the Building Societies Act 1986(b),

for any reference in Schedule 1 to these Regulations to the APR there may be substituted in the advertisement a reference to the statement of -

(a) a rate, expressed to be a rate of interest, being a rate determined as the rate of the total charge for credit calculated on the assumption that only interest is included in the total charge for credit; and

(b) the nature and amount of any other charge included in the total charge for credit.

Relaxation of requirement to give information in certain cases

5. Paragraph 4 of Part II, and paragraph 3 of Part III, of Schedule 1 to these Regulations do not apply to a credit advertisement in so far as it relates to fixed-sum credit to be provided under a debtor-creditor-supplier agreement, where the cash price of the goods, services, land or other things to be supplied under a transaction financed by the agreement does not exceed £50.

(a) 1987 c.22.
(b) 1986 c.53.

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Special provisions as to form, clarity and lay-out

6. - (1) The APR referred to in Schedule 1 to these Regulations shall be denoted in credit advertisements as "APR" or "annual percentage rate" or "annual percentage rate of the total charge for credit".

(2) The specific information referred to in Schedules 1 and 2 to these Regulations in every credit advertisement or hire advertisement shall (a) be clear and easily legible or, in the case of an advertisement which communicates any information by sound shall be clear and easily audible; and (b) subject to the following provisions of these Regulations and except for the name and address or telephone number, shall be communicated together as a whole.

(3) Any information in any book, catalogue, leaflet or other document which is likely to vary from time to time shall be taken for the purpose of paragraph (2) above to be shown together as a whole if -

(a) it is set out together as a whole in a separate document issued with the book catalogue, leaflet or other document; and

(b) the other information in the credit advertisement o hire advertisement as the case may be is shown together as a whole in the book, catalogue, leafle or other document.

Prescribed Statements: Requirements about Form

The prescribed statements set out in Schedules 1 and 2 of th Regulations shall:

A in the case of advertisements which do not communicate any information in sound -

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(1) be reproduced without any alteration or addition to the wording;

(2) be in capital letters;

(3) be separate and distinct from any other wording in the advertisement; and

B in the case of advertisements which communicate any information in sound -

(1) be spoken;

(2) be separate and distinct from any other speech in the advertisement.

Use of examples in advertisements

7. - (1) If a credit or hire advertisement refers to a class of transactions as to which the items of information referred to in paragraph (5) below can apply differently as between one transaction of that class and another, there may be substituted for such an item in the advertisement an example of a particular transaction giving details of those items if, but only if, the requirements of this Regulation are met.

(2) An "example" includes any statement, specimen or table which illustrates to a person proposing to enter into either a consumer credit agreement or a consumer hire agreement what the potential financial implications of entering into a particular transaction of the type illustrated are.

(3) Any example [must clearly indicate that it is being shown in the advertisement as such, that is to say it] must be headed by the words "Typical Example".

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(4) Whenever an example is used, it must include details of each of the following items of information:

(a) in a full credit advertisement -

(i) the APR,

(ii) the cash price, if relevant

(iii) the frequency, number and amount of any payment to be made by the debtor under the advertised transaction;

(iv) the total amount payable;

(b) in a hire advertisement (whether intermediate or full) -

(i) the cash price; and

(ii) the frequency, number or amount of any payment or charge.

(5) There should be a reasonable contemplation by the advertiser that at least 51 per cent of the business arising from the advertisement will be at or below one or more of the APRs quoted in the advertisement

Credit advertisements in dealers' publications covering a calendar or seasonal period

8. - (1) Regulations 2 to 7 above shall not apply to a credi advertisement contained in, or in a separate document issued with, a publication published by or on behalf of a dealer which relates to goods or services which may be sold or supplied by him in a calendar or seasonal period specified in the publication if the advertisement contains the information

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specified in paragraph (2) below and no other indication that a person is willing to provide credit.

(2) The information referred to in paragraph (1) above is -

a. the name of the creditor, credit-broker or dealer and a postal address of his with or without his occupation or a statement of the general nature of his occupation; and

b. an indication that individuals may obtain on request a quotation in writing about the terms on which the advertiser is prepared to do business.

Full credit advertisements in dealers' publications

9. Information contained in a full credit advertisement relating to credit to be provided under a debtor-creditor-supplier agreement, being an advertisement contained in a publication published by or on behalf of a dealer which relates to goods or services which may be sold or supplied by him, shall be taken for the purposes of Regulation 6(2) above to be communicated together as a whole -

(a) if -

(i) the cash price alone; or

(ii) the cash price, any advance payment and the information specified in paragraphs 3 and 4 to 14 of Part III and 35 of Part IV of Schedule 1 to these Regulations, and (except in the case of agreements for credit under which the total amount payable by the debtor is not greater than the cash price of the goods or services,

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the acquisition of which is to be financed by credit under the agreement) the APR

is clearly indicated in close proximity to every description of, or specific reference to, goods or services to which the information in the publication relates;

(b) if the remaining information relating to credit in the advertisement is so presented as to be readily comprehensible as a whole by a prospective debtor and an indication is given in close proximity to any of that information that it relates to all or specified descriptions of goods or services; and

(c) if, except as mentioned in paragraph (a) above, no information relating to the provision of credit is shown together with the cash price.

Credit advertisements on the premises of a dealer

10.- (1) This Regulation applies to an advertisement which does not contain either -

(a) the cash price alone; or

(b) each of the cash price, the information about the total amount payable by the debtor specified in paragraph 4 in Part III and paragraph 5 of Part IV of that Schedule;

but which would otherwise be a full credit advertisement.

(2) Subject to paragraph (3) below, an advertisement to which this regulation applies -

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(a) which is conspicuously displayed on any part of the premises of a dealer; and

(b) which specifies goods or services the acquisition of which from that dealer may be financed by credit and which may be acquired from that part of those premises, shall be treated as complying with these Regulations if the information in paragraph (1)(a) or (b) above as the case may be -

(iii) in the case of goods, is clearly marked on or displayed in close proximity to the goods; and

(iv) in the case of services, is displayed at any place on the premises at which customers may enquire about them,

with an indication that other information relating to the supply of goods or services on credit is displayed on the premises but without any other information indicating that the goods or services are available on credit.

(3) An advertisement to which this regulation applies by virtue of paragraph (1)(b) above shall not be treated as complying with these Regulations by virtue of paragraph (2) above unless the total amount payable by the debtor in respect of the goods or services specified in the advertisement as goods or services the acquisition of which from the dealer in question may be financed by credit is also in the case of goods clearly marked on or displayed in close proximity to the goods and, in the case of services, displayed at any place on the premises at which customers may enquire about them, the total amount payable in the case of an agreement for running-account credit being calculated on each of the following assumptions:-

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(a) the debtor is provided with an amount of credit equal to the case price of the goods or services less any advance payment required;

(b) there are no changes in the rates of interest on the credit which may be provided under the agreement;

(c) the debtor pays the amount stated in the advertisement or if none is stated the fixed or minimum sums payable under the agreement;

(d) all repayments of credit and of the total charge for credit are made on the due date under the agreement; and

(e) the debtor acquires no further goods or is provided with no further services under the agreement.

Restrictions on certain expressions in credit advertisements

11. A credit advertisement shall not include -

(a) the word "overdraft" (or any expression to like effect) as describing any agreement for running-account credit except an agreement enabling the debtor to overdraw on a current account;

(b) any indication whether express or implied that any of the terms of a credit agreement impose on customers a lesser expense or obligation than is being imposed by other persons, except in the case of a full credit advertisement which states, in close proximity to that indication with no less particularity and prominence, the other persons concerned and their comparable terms;

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(c) the expression "interest free" "0% credit" (or any expression to the like effect) indicating that a customer is liable to pay no greater amount in respect of a transaction financed by credit than he would be liable to pay as a cash purchaser in relation to the like transaction, except where the total amount payable by the debtor does not exceed the cash price; or the expression "interest free" "0% credit" in (or any expression to like effect), except - it shall comply with requirements for a full credit advertisement.

(d) the expression "no deposit" or any expression to the like effect, except where no advance payments are to be made; or

(e) any indication whether express or implied that no payment is due for a certain period except:-

(i) where no interest shall accrue during any such period; or

(ii) it is stated in the advertisement that interest shall accrue.

Prominence to be afforded to the APR in credit advertisements and wording of prescribed information

12.- (1) The APR referred to in Schedule 1 to these Regulations in every credit advertisement shall be afforded:-

(a) greater prominence than a statement relating to any other rate of charge; and

(b) equal prominence to any statement relating to -

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(i) the amount of any advance payment or any indication that no such payment is required; or

(ii) the amount, number or frequency of any payments or charges (other than the cash price of goods, services, land or other things);

(c) equal prominence to any prescribed statements

(d) no less prominence than any other information relating to credit

(2) Where prescribed statements are reproduced in a credit or a hire advertisement they shall be afforded no less prominence than any other information relating to credit or bailment of goods which is required or permitted to be included under these Regulations in the advertisement.

Application of Regulations

13.- (1) These Regulations do not apply to any advertisement which

(a) whether expressly or by implication indicates clearly that a person is willing -

(i) to provide credit; or

(ii) to enter into an agreement for the bailment of goods,

for the purposes of a person's business; and

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(b) does not indicate (whether expressly or by implication) that a person is willing to do either of those things otherwise than for the purposes of such a business.

(2) References in paragraph (1) above to a business do not include references to a business carried on by the advertiser or any person acting as a credit-broker in relation to the credit or hire facility to which the advertisement relates.

Transitional provisions

14.- (1) Subject to paragraph (2) below, a person shall not be guilty of an offence under section 47(1) or 167 of the Act for contravention of these Regulations if the advertisement would have complied with the requirements of the Consumer Credit (Advertisements) Regulations 1989(a) if those Regulations had not been revoked by these Regulations.

(2) This regulation only applies to advertisements which are:

A published in a catalogue, diary or work of reference comprising at least 50 printed pages -

(i) of which copies are first published, or made available for publication in the ordinary course of business, before [ ] 1992; and

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(a) S.I. 1989/1125.

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(ii) which in a reasonably prominent position either contains the date of its first publication or specifies a period, being a calendar or seasonal period, throughout which it is intended to have effect; or

B published after *..... and before **..... .

* 4 months after laying ** 6 months after laying

Parliamentary Under-Secretary of State,
[ ] 1992 Department of Trade and Industry

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SCHEDULE 1

Regulation 2

INFORMATION IN CREDIT ADVERTISEMENTS

PART 1

MAXIMUM INFORMATION THAT MAY BE CONTAINED IN SIMPLE CREDIT ADVERTISEMENTS IN WHOLE OR IN PART

Name

1. The name of the advertiser.

Logo

2. A logo of his, of his associate and of his trade association.

Address

3. A postal address of his.

Telephone number

4. A telephone number of his.

Occupation

5. An occupation of his or a statement of the general nature of his occupation.

Other information

6. Any other information other than -

(a) information that a person is willing to provide credit; or

(b) the cash price, or other price, of any goods, services, land or other things.

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SCHEDULE 1

Regulation 2

INTERMEDIATE SECURED CREDIT ADVERTISEMENTS

PART II

MAXIMUM INFORMATION THAT MAY BE CONTAINED IN INTERMEDIATE SECURED CREDIT ADVERTISEMENTS IN WHOLE OR IN PART

Compulsory Information

Deposit of money in an account

1. A statement of any requirement to place on deposit any sum of money in any account with any person.

Restricted offers of credit to class or group of persons

2. In the case of any credit being available only to persons who fall within any class or group, or on terms which are applicable only to, persons who fall within any class or group, a statement describing that restriction and identifying that class or group.

Prescribed statements about security and foreign currency

3. - (1) A statement that any security is or may be required, and where the security is or may be required, and where the security comprises a mortgage or charge on the debtor's home a statement in the following form:-

"IMPORTANT - YOU RISK LOSING YOUR HOME IF YOU DON'T KEEP UP MORTGAGE PAYMENTS".

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3. - (2) Where the advertisement is for a mortgage or other loan secured on property and payments to be made by debtors are either to be made in a currency other than sterling or are to be made in sterling but the amount is to be determined by a currency or unit of account other than sterling, a statement in the form set out below shall follow the security statement in 3(1) above:-

"THE AMOUNT YOU OWE MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS"

Where loan being advertised is to be in a currency other than sterling it is permissible to insert the words "THE STERLING EQUIVALENT OF" as the first words of the prescribed statement referred to at 3(2).

3. - (3) Where the security does not compromise a mortgage or charge on the debtor's home a statement of the natuure of any security required and a statement in the following form:-

"IMPORTANT - DO NOT BORROW UNLESS YOU CAN KEEP UP THE PAYMENTS".

AND:- stating the nature of any security required.

3. - (4) Where the advertisement is for a mortgage or other loan secured on the debtors home and the whole or part of the loan must be applied to the purchase of an annuity which in all circumstances will be sufficient to cover payments under the agreement during the lifetime of the borrower, a statement in the form set out below shall follow the security statment in 3(1) above:-

"UNDER THIS SCHEME A LOAN WILL HAVE TO BE REPAID AFTER THE BORROWER'S DEATH, IF NECESSARY BY SELLING THE BORROWER'S HOME."

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Information about terms of business

4. Either a statement that individuals may obtain on request a quotation in writing about the terms on which the advertiser is prepared to do business or a statement that individuals may obtain on request a document containing no less information than a full credit advertisement about the terms on which the advertiser is prepared to do business.

Insurance

5. A statement of any contract of insurance required, not being a contract of insurance against the risk of loss or damage to goods or land or any risk relating to the use of the goods or land.

Credit-broker's fee

6. In the case of an advertisement published for the purposes of a business of credit brokerage carried on by any person, the amount of any fee payable by the debtor or an associate of his to a credit-broker or a statement of the method of its calculation.

Name and address or telephone number of advertiser

7. The name of the advertiser and

(i) a postal address of his and/or

(ii) a telephone number of his (or a freephone number) except -

(a) in the case of advertisements in any form on the premises of a dealer or creditor (not being advertisements in writing which customers are intended to take away);

(b) in the case of advertisements which include the name and address of a dealer; and

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(c) in the case of advertisements which include the name of a credit-broker and a postal address or telephone number of his (or a freephone number).

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Optional Information

10. Any other information, except that no information may be shown indicating that a person is willing to provide credit other than as follows:-

Logo

(a) A logo of the advertiser, of his associate and of his trade association.

Occupation

(b) An occupation of his or a statement of the general nature of his occupation.

Credit facilities

(c) A statement that credit facilities are, or that a specified category of credit facility is, available, and where applicable a statement indicating the period of the maximum period of availability.

Amount of credit

(d) The amount of credit which may be provided under a consumer credit agreement or an indication of one or both of the maximum amount and the minimum amount of credit which may be provided.

Frequency, number and amount of advance payments

(e) A statement of the frequency and number of any advance payments required and of the amount of minimum amount expressed as a sum of money or as a percentage or a statement indicating the manner in which the amount will be determined.

Different treatment of cash and credit purchasers

(f) A statement indicating any respect in which cash purchasers are treated differently from those acquiring any goods, land or other things, or being provided with services, under a transaction which is financed by credit.

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Name and address or telephone number of creditor

(g) In the case of an advertisement to which paragraph 1(c) above applies, the name of the creditor and (i) a postal address of his and/or (ii) a telephone number of his (or a freephone number).

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SCHEDULE 1
INTERMEDIATE UNSECURED CREDIT ADVERTISEMENTS
PART III

MAXIMUM INFORMATION THAT MAY BE CONTAINED IN INTERMEDIATE UNSECURED CREDIT ADVERTISEMENTS IN WHOLE OR IN PART

Compulsory Information

Restricted offers of credit to class or group of persons

1. In the case of any credit being available only to, or on terms which are applicable only to, persons who fall within any class or group, a statement of that fact identifying that class or group.

Affordability

2. A statement:-

> **"IMPORTANT: DON'T BORROW UNLESS YOU CAN KEEP UP THE PAYMENTS."**

Information about terms of business

3. Either a statement that individuals may obtain on request a quotation in writing about the terms on which the advertiser is prepared to do business or a statement that individuals may obtain on request a document containing no less information than a full credit advertisement about the terms on which the advertiser is prepared to do business.

Name and address or telephone number of advertiser

4. The name of the advertiser and

(i) a postal address of his and/or

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(ii) a telephone number of his (or a freephone number) except -

(a) in the case of advertisements in any form on the premises of a dealer or creditor (not being advertisements in writing which customers are intended to take away);

(b) in the case of advertisements which include the name and address of a dealer; and

(c) in the case of advertisements which include the name of a credit-broker and a postal address or telephone number of his (or a freephone number).

Optional Information

5. Any other information, except that no information may be shown indicating that a person is willing to provide credit other than as follows:-

Logo

(a) A logo of the advertiser, of his associate and of his trade association.

Occupation

(b) An occupation of his or a statement of the general nature of his occupation.

Credit facilities

(c) A statement that credit facilities are, or that a specified category of credit facility is, available, and where applicable a statement indicating the period of the maximum period of availability;

Amount of credit

(d) The amount of credit which may be provided under a consumer credit agreement or an indication of one or both of

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the maximum amount and the minimum amount of credit which may be provided.

Frequency, number and amount of advance payments

(e) A statement of the frequency and number of any advance payments required and of the amount or minimum amount expressed as a sum of money or as a percentage or a statement indicating the manner in which the amount will be determined.

Different treatment of cash and credit purchasers

(f) A statement indicating any respect in which cash purchasers are treated differently from those acquiring any goods, land or other things, or being provided with services, under a transaction which is financed by credit.

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SCHEDULE 1
FULL SECURED CREDIT ADVERTISEMENTS
PART IV

MINIMUM INFORMATION TO BE CONTAINED IN FULL SECURED CREDIT ADVERTISEMENTS

Frequency, number and amount of advance payments

1. A statement of the frequency and number of any advance payments required and of the amount or minimum amount expressed as a sum of money or as a percentage or a statement indicating the manner in which the amount will be determined.

Deposit of money in an account

2. A statement of any requirement to place on deposit any sum of money in any account with any person.

Frequency, number and amount of payments to be made by debtor

3.- (1) In the case of an advertisement relating to an agreement for running-account credit, a statement:-

(i) of the frequency of the payments to be made by the debtor under the advertised transaction and

(ii) of the amount of each such payment and whether it is a fixed or minimum amount, or

(iii) indicating the manner in which the amount will be determined.

3. - (2) In the case of other credit advertisements, a statement of the frequency, number and amount of payments to be made by the debtor under the advertised transaction.

3. - (3) In the case of an advertisement relating to an agreement under which interest on the credit to be provided is

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of a type to which sections 369 to 376 of the Income and Corporation Taxes Act 1988[a] apply (which make provision for the deduction of income tax at the basic rate from certain loan interest):-

(a) a further statement indicating whether the amount of any payments of credit to be made by debtor mentioned in the advertisement is calculated before or after the deduction of tax; and

(b) where such an advertisement indicates the amounts of payments to be made by debtors both before and after deduction of tax, and in one or other such case not all the payments to be made by debtors would be equal for the purposes of sub-paragraph (2) above, a statement indicating the lowest and the highest amounts and the exact year or other period in respect of which each such amount is to be paid, unless such information is included in the statement required under sub-paragraph (2) above.

3. - (4) The advertisement shall not include in relation to any payments to be made by debtor under this paragraph the expression "weekly equivalent" or any expression to the like effect or any expression of any other periodical equivalent, unless weekly payments or the other periodical payments are provided for under the agreement.

3. - (5) The amount of any payments to be made by debtor under this paragraph may be expressed as a sum of money or as a specified proportion of a specified amount (including the amount outstanding from time to time).

3. - (6) Where the liability of the debtor to make any payment cannot be ascertained at the date the advertisement is

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[a] 1988 c.1.

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published, a statement indicating the description of the payment in question and the circumstances in which the liability to make it will arise.

3. - (7) Sub-paragraphs 1 and 2 above do not apply to any item payable under the advertised transaction only upon failure by the debtor or a relative of his to do or refrain from doing anything which he is required to do or refrain from doing, as the case may be.

Total amount payable by the debtor

4. - (1) Subject to sub-paragraphs (2) and (3) below, in the case of an advertisement relating to a consumer credit agreement under which payments by the debtor are to be named at specified intervals or in specified amounts and other than cases under which the sum of the payments within sub-paragraphs (a) to (c) below is not greater than the cash price referred to in paragraph 15 below, the total amount payable by the debtor, being the total of -

(a) advance payments;
(b) the amount of credit repayable by the debtor;
(c) the amount of the total charge for credit.

4. - (2) In the case of an agreement for running-account credit the total amount payable by the debtor under this paragraph shall be calculated on each of the following assumptions:

(a) the debtor is provided with an amount of credit equal to the cash price of the goods or services less any advance payment required;

(b) there are no changes in the rates of interest on the credit which may be provided under the agreement;

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(c) the debtor pays the amount stated in the advertisement or if none is stated the fixed or minimum sums payable under the agreement;

(d) all payments of credit to be made by debtors and of the total charge for credit are made on the due date under the agreement; and

(e) the debtor acquires no further goods or is provided with no further services under the agreement.

4. - (3) Sub-paragraph (1) above does not apply in the case of an advertisement relating to running-account credit to be provided under a consumer credit agreement where the advertisement does not specify goods, services, land or other things having a particular cash price, the acquisition of which may be financed by the credit.

4. - (4) Immediately following the TAP there shall be a statement in the following form:-

"PAYMENTS MAY VARY DUE TO CHANGES IN THE INTEREST RATE AND OTHER ITEMS"

The creditor can omit the words "other items" where their inclusion would be unnecessary.

APR

5. - (1) The APR in relation to any actual or prospective agreement, other than an agreement specified in sub-paragraph (2) below, or a statement indicating that the total amount payable by the debtor is not greater than the total cash price of the goods, services, land or other things, the acquisition of which is to be financed by credit under the agreement.

5. - (2) The APR in relation to a debtor-creditor-supplier agreement for running-account credit under which the debtor

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agrees to pay the creditor an amount specified in the agreement on specified occasions, there is a credit limit and charges for credit are either a fixed amount in respect of each transaction or calculated as a proportion of the price payable under a transaction financed by the credit, the APR being calculated on each of the assumptions set out in paragraph 7(b) of Part II of this Schedule respectively.

5. - (3) In relation to agreements under which the rate or amount of any item included in the total charge for credit will or may be varied, a statement immediately following a APR in the following form:

"VARIABLE"

Restricted offers of credit to class or group of persons

6. In the case of any credit being available only to persons who fall within any class or group or on terms which are applicable only to persons who fall within any class or group, a statement describing that restriction and identifying that class or group.

Prescribed statements about security and foreign currency

7. - (1) A statement that any security is or may be required, and where the security is or may be required, and where the security comprises a mortgage or charge on the debtor's home a statement in the following form:-

"IMPORTANT - YOU RISK LOSING YOUR HOME IF YOU DON'T KEEP UP MORTGAGE PAYMENTS".

7. - (2) Where the advertisement is for a mortgage or other loan secured on property and payments to be made by debtors are either to be made in a currency other than sterling or are to be made in sterling but the amount is to be determined by a

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currency or unit of account other than sterling, a statement in the form set out below shall follow the security statement in 7(1) above:-

"THE AMOUNT YOU OWE MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS"

7. - (3) Where the security does not comprise a mortgage or charge on the debtor's home a statement of the nature of any security required and a statement in the following form:-

"IMPORTANT - DO NOT BORROW UNLESS YOU CAN KEEP UP THE PAYMENTS".

7. - (4) Where the advertisement is for a mortgage or other loan secured on the debtors home and the whole or part of the loan must be applied to the purchase of an annuity which in all circumstances will be sufficient to cover payments under the agreement during the lifetime of the borrower, a statement in the form set out below shall follow the security statment in 9(1) above:-

"UNDER THIS SCHEME A LOAN WILL HAVE TO BE REPAID AFTER THE BORROWER'S DEATH, IF NECESSARY BY SELLING THE BORROWER'S HOME."

Insurance

8. A statement of any contract of insurance required, not being a contract of insurance against the risk of loss or damage to goods or land or any risk relating to the use of the goods or land.

Credit-broker's fee

9. In the case of an advertisement published for the purposes of a business of credit brokerage carried on by any person, the amount of any fee payable by the debtor or an

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associate of his to a credit-broker or a statement of the method of its calculation.

Quotations

10. A statement that individuals may obtain on request a quotation in writing about the terms on which the advertiser is prepared to do business.

Different treatment of cash and credit purchasers

11. A statement indicating any respect in which cash purchasers are treated differently from those acquiring any goods, land or other things, or being provided with services, under a transaction which is financed by credit.

Cash price

12. In the case of an advertisement relating to credit to be provided under a debtor-creditor-supplier agreement, where the advertisement specifies goods, services, land or other things having a particular cash price, the acquisition of which from an identified dealer may be financed by the credit, the cash price of such goods, services, land or other things.

Name and address

13. The name and a postal address of the advertiser except -

(a) in the case of advertisements in any form on the premises of a dealer or creditor (not being advertisements in writing which customers are intended to take away);

(b) in the case of advertisements which include the name and address of a dealer; and

(c) in the case of advertisements which include the name and a postal address of a credit-broker.

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SCHEDULE 1
FULL UNSECURED CREDIT ADVERTISEMENTS
PART V

MINIMUM INFORMATION TO BE CONTAINED IN FULL UNSECURED CREDIT ADVERTISEMENTS

Frequency, number and amount of advance payments

1. A statement of the frequency and number of any advance payments required and of the amount or minimum amount expressed as a sum of money or as a percentage or a statement indicating the manner in which the amount will be determined.

Deposit of money in an account

2. A statement of any requirement to place on deposit any sum of moneyu in any account with any person.

Frequency, number and amount of payments to be made by debtor

3.- (1) In the case of an advertisement relating to an agreement for running-account credit, a statement:-

(i) of the frequency of the payments to be made by th debtor under the advertised transaction and

(ii) of the amount of each such payment and whether i is a fixed or minimum amount, or

(iii) indicating the manner in which the amount will be determined.

3. - (2) In the case of other credit advertisements, a statement of the frequency, number and amount of payments to be made by the debtor under the advertised transaction.

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3. - (3) In the case of an advertisement relating to an agreement under which interest on the credit to be provided is of a type to which sections 369 to 376 of the Income and Corporation Taxes Act 1988[a] apply (which make provision for the deduction of income tax at the basic rate from certain loan interest):-

(a) a further statement indicating whether the amount of any repayment to be made by the debtor mentioned in the advertisement is calculated before or after the deduction of tax; and

(b) where such an advertisement indicates the amounts of payments to be made by the debtor both before and after deduction of tax,s and in one or other such case not all the payments to be made by debtors would be equal for the purposes of sub-paragraph (2) above, a statement indicating the lowest and the highest amounts and the exact year or other period in respect of which each such amount is to be paid, unless such information is included in the statement required under sub-paragraph (2) above.

3. - (4) The advertisement shall not include in relation to any payment to be made by the debtor under this paragraph the expression "weekly equivalent" or any expression to the like effect or any expression of any other periodical equivalent, unless weekly payments or the other periodical payments are provided for under the agreement.

3. - (5) The amount of any payment to be made by the debtor under this paragraph may be expressed as a sum of money or as a specified proportion of a specified amount (including the amount outstanding from time to time).

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[a] 1988 c.1.

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4. - (1) Where the liability of the debtor to make any payment cannot be ascertained at the date the advertisement is published, a statement indicating the description of the payment in question and the circumstances in which the liability to make it will arise.

4. - (2) Sub-paragraphs (1) and (2) above do not apply to any charge payable under the transaction to the creditor or any other person on his behalf upon failure by the debtor or a relative of his to do or refrain from doing anything which he is required to do or refrain from doing, as the case may be.

Total amount payable by the debtor

5.- (1) Subject to sub-paragraphs (2) and (3) below, in the case of an advertisement relating to credit to be provided under a consumer credit agreement which is repayable at specified intervals or in specified amounts and other than cases under which the sum of the payments within sub-paragraphs (a) to (c) below is not greater than the cash price referred to in paragraph 15 below, the total amount payable by the debtor, being the total of -

(a) advance payments;
(b) the amount of the total charge for credit.
(c) other amounts payable by the debtor; and

5. - (2) In the case of an agreement for running-account credit the total amount payable by the debtor under this paragraph shall be calculated on each of the following assumptions:

(a) the debtor is provided with an amount of credit equal to the cash price of the goods or services less any advance payment required;

(b) there are no changes in the rates of interest on the credit which may be provided under the agreement;

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(c) the debtor pays the amount stated in the advertisement or if none is stated the fixed or minimum sums payable under the agreement;

(d) all payments to be made by the debtor and of the total charge for credit are made on the due date under the agreement; and

(e) the debtor acquires no further goods or is provided with no further services under the agreement.

5. - (3) Sub-paragraph (1) above does not apply in the case of an advertisement relating to running-account credit to be provided under a consumer credit agreement where the advertisement does not specify goods, services, land or other things having a particular cash price, the acquisition of which may be financed by the credit.

5. -(4). Immediately following the TAP there shall be a statement in the following form:-

APR

6. - (1) The APR in relation to any actual or prospective agreement, other than an agreement specified in sub-paragraph (2) below, or a statement indicating that the total amount payable by the debtor is not greater than the total cash price of the goods, services, land or other things, the acquisition of which is to be financed by credit under the agreement.

6. - (2) The APR in relation to a debtor-creditor-supplier agreement for running-account credit under which the debtor agrees to pay the creditor an amount specified in the agreement on specified occasions, there is a credit limit and charges for credit are either a fixed amount in respect of each transaction or calculated as a proportion of the price

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payable under a transaction financed by the credit, the APR being calculated on each of the assumptions set out in paragraph 7(b) of Part II of this Schedule respectively.

7. In relation to agreements under which the rate or amount of any item included in the total charge for credit will or may be varied, a statement immediately following the APR in the following form:

"VARIABLE".

Restricted offers of credit to class or group of persons

8. In the case of any credit being available only to persons who fall within any class or group or on terms which are applicable only to persons who fall within any class or group, a statement describing that restriction identifying that class or group.

"Affordability

9. A statement in the following form:-

"IMPORTANT - DON'T BORROW UNLESS YOU CAN KEEP UP THE PAYMENTS.""

Name and address

10. The name and a postal address of the advertiser except -

(a) in the case of advertisements in any form on the premises of a dealer or creditor (not being advertisements in writing which customers are intended to take away);

(b) in the case of advertisements which include the name and address of a dealer; and

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(c) in the case of advertisements which include the name and a postal address of a credit-broker.

Different treatment of cash and credit purchasers

11. A statement indicating any respect in which cash purchasers are treated differently from those acquiring any goods, land or other things, or being provided with services, under a transaction which is financed by credit.

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SCHEDULE 1
LOW START CREDIT AGREEMENTS
PART VI

"low-start credit agreement" means a personal credit secured agreement under which the interest rate payable for an initial period or periods is less than the standard rate.

"standard rate" means the interest rate payable at the time the advertisement is published on other credit agreements of the same creditor, where:

(a) the total amount of the credit which has been advanced is in the range £30,000 to £50,000; and

(b) the debtor is a person not excluded by any restrictions indicated in the advertisement; and

(c) the debtor is not a person who is purchasing a residential property for the first time; and

(d) the relationship between the creditor and the debtor is an arms length one.

Where the creditor has more than one type of agreement which falls within the above criteria, at different rates of interest, then the standard rate shall be the mean of those rates.

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Without prejudice to the foregoing provisions of Schedule 1

1. The following assumptions about interest rates are to be used for the purpose of calculating the APR and amounts payable by the debtor under low start credit agreements in any advertisement.

(a) In the whole of the initial period(s) the interest payable will be:

(i) if the advertisement quotes a rate payable in that period, interest calculated at the quoted rate; all

(ii) if the advertisement states or implies that the interest payable in the initial period is at a reduced rate or at a discount but does not quote a precise rate or identify any rate to which the reduction or discount applies, interest calculated at the standard rate less the quoted reduction or discount; or

(iii) if the advertisement states or implies that the interest in the initial period is at a reduced rate and quotes a precise rate or identifies a rate to which the reduction or the discount applies, interest calculated at that rate less the reduction or discount as quoted.

b) After expiry of the initial period the interest rate payable will be the standard rate which is being charged by the creditor at the time the advertisement is published.

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2. It shall only be permissible to use assumptions about interest rates additional to or different from those set out above if:-

(a) not doing so would make it impossible to calculat the ARP and amounts payable by the debtor or the result of the calcualtion would be misleading; and

(b) any such additional or different assumptiosn are reasonable and are set out clearly in the advertisement.

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SCHEDULE 2

Regulation 3

INFORMATION IN HIRE AGREEMENTS

PART 1

MAXIMUM INFORMATION THAT MAY BE CONTAINED IN SIMPLE HIRE AGREEMENTS IN WHOLE OR IN PART

Name

1. The name of the advertiser.

Logo

2. A logo of his, of his associate and of his trade association.

Address

3. A postal address of his.

Telephone number

4. A telephone number of his.

Occupation

5. An occupation of his or a statement of the general nature of his occupation.

Other information

6. Any other information other than -

(a) information that a person is willing to enter into an agreement for the bailment of goods by him; or

(b) the cash price, or other price, of any goods.

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SCHEDULE 2
INTERMEDIATE SECURED HIRE ADVERTISEMENTS
PART II

MAXIMUM INFORMATION TO BE CONTAINED IN
INTERMEDIATE SECURED HIRE ADVERTISEMENTS

Compulsory Information

Deposit of money in an account

1. A statement of any requirement to place on deposit any sum of money in any account with any person.

Restricted offers of hire facilities to class or group of persons

2. In the case of any hire facilities being available only to persons who fall within any class or group or on terms which are applicable only to persons who fall within any class or group, a statement describing that restriction and identifying that class or group;

Prescribed statements about security/or affordability

3. - (1) A statement that any security is or may be required;

(2) Where the security comprises or may comprise a mortgage or charge on the hirer's home a statement in the following form:-

"**IMPORTANT - YOU RISK LOSING YOUR HOME IF YOU DON'T KEEP UP MORTGAGE PAYMENTS.**".

(3) Where the security does not comprise a mortgage or charge on the hirers home, a statement in the following form:-

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"IMPORTANT - DON'T ENTER INTO A HIRE AGREEMENT UNLESS YOU ARE SURE YOU CAN KEEP UP THE PAYMENTS.".

Information about terms of business

4. Either a statement that individuals may obtain on request a quotation in writing about the terms on which the advertiser is prepared to do business or a statement that individuals may obtain on request a document containing no less information than a full hire advertisement about the terms on which the advertiser is prepared to do business.

Insurance

5. A statement of any contract of insurance required, not being a contract of insurance against the risk of loss or damage to goods or any risk relating to the use of the goods.

Credit-broker's fee

6. In the case of an advertisement published for the purposes of a business of credit brokerage carried on by any person, the amount of any fee payable by the hirer or an associate of his to a credit-broker or a statement of the method of its calculation.

Name and address or telephone number of advertiser

7. The name of the advertiser and:-

(i) a postal address of his and/or

(ii) a telephone number of his (or a freephone number) except -

(a) in the case of advertisements in any form on the premises of a dealer or owner (not being advertisements in writing which customers are intended to take away);

(b) in the case of advertisements which include the name and address of a dealer; and

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(c) in the case of advertisements which include the name of a credit-broker and a postal address or telephone number of his (or a freephone number).

Nature of transaction

8. A statement indicating that the transaction advertised is the bailment of goods.

Optional information

9. Any other information, except that no information may be shown indicating that a person is willing to enter into an agreement for the bailment of goods by him other than as follows:-

Logo

(a) a logo of his, of his associate and of his trade association;

Occupation

(b) an occupation of his or a statement of the general nature of his occupation;

Nature of security not affecting hirer's home

(c) the nature of any security required where this does not comprise a mortgage or charge on the hirer's home;

Advance payment

(d) a statement as to whether an advance payment is required and if so the amount or minimum amount of the payment expressed as a sum of money or as a percentage;

Duration of hire

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(e) in a case where goods are to be bailed under an agreement for a fixed period or a maximum or minimum period, a statement indicating that this is the case and the duration of that period; and

Name and address or telephone number of owner

(f) in the case of an advertisement to which paragraph 1(c) above applies, the name of the owner and

(i) a postal address of his and/or

(ii) a telephone number of his (or a freephone number).

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SCHEDULE 2

INTERMEDIATE UNSECURED HIRE ADVERTISEMENTS

PART III

MAXIMUM INFORMATION TO BE CONTAINED IN UNSECURED HIRE ADVERTISEMENTS

Compulsory Information

Restricted offers of hire facilities to class or group of persons

1. In the case of any hire facilities being available only to persons who fall within any class or group or on terms which are applicable only to persons who fall within any class or group, a statement describing that restriction and identifying that class or group;

Affordability

2. A statement in the following form:-

"IMPORTANT - DO NOT ENTER INTO A HIRE AGREEMENT UNLESS YOU ARE SURE YOU CAN KEEP UP THE PAYMENTS".

Information about terms of business

3. Either a statement that individuals may obtain on request a quotation in writing about the terms on whicl the advertiser is prepared to do business or a statemen that individuals may obtain on request a document containing no less information than a full hire advertisement about the terms on which the advertiser is prepared to do business.

Name and address or telephone number of advertiser

4. The name of the advertiser and

(i) a postal address of his and/or

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(ii) telephone number of his (or a freephone number) except -

(a) in the case of advertisements in any form on the premises of a dealer or owner (not being advertisements in writing which customers are intended to take away);

(b) in the case of advertisements which include the name and address of a dealer; and

(c) in the case of advertisements which include the name of a credit-broker and a postal address or telephone number of his (or a freephone number).

Nature of transaction

5. A statement indicating that the transaction advertised is the bailment of goods.

Optional Information

6. Any other information, except that no information may be shown indicating that a person is willing to enter into an agreement for the bailment of goods by him other than as follows:-

Logo

(a) a logo of his, of his associate and of his trade association;

Occupation

(b) an occupation of his or a statement of the general nature of his occupation;

Nature of security not affecting hirer's home

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(c) the nature of any security required where this does not comprise a mortgage or charge on the hirer's home;

Advance payment

(d) a statement as to whether an advance payment is required and if so the amount or minimum amount of the payment expressed as a sum of money or as a percentage;

Duration of hire

(e) in a case where goods are to be bailed under an agreement for a fixed period or a maximum or minimum period, a statement indicating that this is the case and the duration of that period; and

Name etc

(f) in the case of an advertisement to which paragraph 1(c) above applies, the name of the owner and

(i) a postal address of his and/or

(ii) a telephone number of his (or a freephone number).

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SCHEDULE 2

FULL SECURED HIRE ADVERTISEMENT

PART IV

MINIMUM INFORMATION TO BE CONTAINED
IN FULL SECURED HIRE ADVERTISEMENT

Frequency, number and amount of advance payments

1. A statement of the frequency and number of any advance payments required and of the amount of minimum amount expressed as a sum of money or as a percentage or a statement indicating the manner in which the amount will be determined.

Deposit of money in an account

2. A statement of any requirement to place on deposit any sum of money in any account with any person.

Frequency and amount of hire payments

3. The frequency and amount of each hire payment stating if it be the case that it is a minimum amount and, in the case where the amount of any hire payment will or may be varied, a statement indicating that the amount will or may be varied and the circumstances in which it would happen:

Provided that the advertisement shall not include in relation to any hire payment the expression "weekly equivalent" or any expression to the like effect or any expression of any other periodical equivalent unless weekly payments or the other periodical payments are provided for under the hire agreement.

Other payments and charges

4.- (1) Subject to sub-paragraphs (2) and (3) below, a statement indicating the description and amount of any payments and charge other than advance payments and hire

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payments which may be payable under the transaction advertised.

(2) Where the liability of the hirer to make any payment cannot be ascertained at the date the advertisement is published, a statement indicating the description of the payment in question and the circumstances in which the liability to make it will arise.

(3) Sub-paragraphs (1) and (2) above do not apply to any charge payable under the transaction to the owner or any other person on his behalf upon failure by the hirer or a relative of his to do or to refrain from doing anything which he is required to do or to refrain from doing, as the case may be.

Variable payments and charges

5. Where any payment or charge referred to in paragraph 12 or 13 above may be varied under the hire agreement except to take account only of a change in value added tax (including a change or from no tax being charged), a statement indicating that this is the case.

Restricted offers of hire facilities to class or group of persons

6. In the case of any hire facilities being available only to persons who fall within any class or group or on terms which are applicable only to persons who fall within any class or group, a statement describing that restriction and identifying that class or group.

Prescribed Statements about Security/or Affordability

7. - (1) A statement that any security is or may be required;

(2) Where the security comprises or may comprise a mortgage or charge on the hirer's home a statement in the following form:-

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"**IMPORTANT - YOU RISK LOSING YOUR HOME IF YOU DON'T KEEP UP MORTGAGE PAYMENTS.**".

(3) Where the security does not comprise a mortgage or charge on the hirers home a statement of the nature of any security required and a statement in the following form:-

"**IMPORTANT - DO NOT ENTER INTO A HIRE AGREEMENT UNLESS YOU ARE SURE YOU CAN KEEP UP THE PAYMENTS**".

Insurance

8. A statement of any contract of insurance required, not being a contract of insurance against the risk of loss or damage to the goods or any risk relating to the use of the goods.

Credit-broker's fee

9. In the case of an advertisement published for the purposes of a business of credit brokerage carried on by any person, the amount of any fee payable by the hirer or an associate of his to a credit-broker or a statement of the method of its calculation.

Quotation

10. A statement that individuals may obtain on request a quotation in writing about the terms on which the advertiser is prepared to do business.

Name and address or telephone number of advertiser

11. The name and a postal address of the advertiser except -

(a) in the case of advertisements in any form on the premises of a dealer or owner (not being advertisements in writing which customers are intended to take away);

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(b) in the case of advertisements which include the name and address of a dealer; and

(c) in the case of advertisements which include the name and a postal address of a credit-broker.

Nature of transaction

12. A statement indicating that the transaction advertised is the bailment of goods.

Duration of hire

13. In a case where goods are to be bailed under an agreement for a fixed period or a maximum or minimum period, a statement indicating that this is the case and the duration of that period.

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SCHEDULE 2

FULL UNSECURED HIRE ADVERTISEMENT

PART V

MAXIMUM INFORMATION TO BE CONTAINED IN FULL UNSECURED HIRE ADVERTISEMENTS

Frequency, number and amount of advance payments

1. A statement of the frequency and number of any advance payments required and of the amount of minimum amount expressed as a sum of money or as a percentage or a statement indicating the manner in which the amount will be determined.

Deposit of money in an account

2. A statement of any requirement to place on deposit any sum of money in any account with any person.

Frequency and amount of hire payments

3. The frequency and amount of each hire payment stating if it be the case that it is a minimum amount and, in the case where the amount of any hire payment will or may be varied, a statement indicating that the amount will or may be varied an the circumstances in which it would happen:

> Provided that the advertisement shall not include in relation to any hire payment the expression "weekly equivalent" or any expression to the like effect or any expression of any other periodical equivalent unless weekly payments or the other periodical payments are provided for under the hire agreement.

Other payments and charges

4. - (1) Subject to sub-paragraphs (2) and (3) below, a statement indicating the description and amount of any payments and charge other than advance payments and hire

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payments which may be payable under the transaction advertised.

(2) Where the liability of the hirer to make any payment cannot be ascertained at the date the advertisement is published, a statement indicating the description of the payment in question and the circumstances in which the liability to make it will arise.

(3) Sub-paragraphs (1) and (2) above do not apply to any charge payable under the transaction to the owner or any other person on his behalf upon failure by the hirer or a relative of his to do or to refrain from doing anything which he is required to do or to refrain from doing, as the case may be.

Restricted offers of hire facilities to class or group of persons

5. In the case of any hire facilities being available only to persons who fall within any class or group or on terms which are applicable only to persons who fall within any class or group, a statement describing that restriction and identifying that class or group.

Name and address

6. The name and a postal address of the advertiser except -

(a) in the case of advertisements in any form on the premises of a dealer or owner (not being advertisements in writing which customers are intended to take away);

(b) in the case of advertisements which include the name and address of a dealer; and

(c) in the case of advertisements which include the name and a postal address of a credit-broker.

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Nature of transaction

7. A statement indicating that the transaction advertised is the bailment of goods.

Duration of hire

8. In a case where goods are to be bailed under an agreement for a fixed period or a maximum or minimum period, a statement indicating that this is the case and the duration of that period.

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SCHEDULE 3

Regulation 1(2)

PROVISIONS RELATING TO DISCLOSURE OF THE TOTAL CHARGE FOR CREDIT AND THE APR

Use of representative information in calculation of the total charge for credit and the APR

1. Where, in the case of an advertisement relating to credit to be provided under a consumer credit agreement -

(a) the amount of any charge required to be included in the total charge for credit in respect of any transaction within a particular class of transactions is not ascertainable at the date when the advertisement is published or differs from the amount which applies in relation to another transaction within the same class; or

(b) any other fact required for such calculation is not ascertainable at that date or is different from a comparable fact in relation to another transaction within the same class.

there shall be included in the total charge for credit an amount in respect of that charge which, having regard to the amounts and facts which apply to other transactions within the same class, is representative of the charges which the advertiser might reasonably expect at the date the advertisement is published would apply in relation to transactions of the class in question, being transactions which he might then reasonably contemplate he would enter into on or after that date.

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(2) If this paragraph is applied in relation to the amount of any charge or to any other fact -

(a) a sum in the determination of which any such amount or fact is employed shall not be taken to be the amount of the total charge for credit; and

(b) a rate of charge in the determination of which any such amount or fact is employed shall not be expressed to be the APR.

unless the advertisement either -

(i) identifies any such amount or fact and quantifies so far as practicable any such amount; or

(ii) contains an indication that representative amounts have been included in calculating the total charge for credit.

(3) For the purposes of this paragraph, a class of transactions means a class determined by reference to the subject-matter of the transactions or to the time at which, the circumstances in which or the persons with whom they are made.

Permissible tolerances in disclosure of the APR

2. For the purposes of these Regulations, it shall be sufficient compliance with the requirement to show the APR if there is included in the advertisement -

(a) a rate which exceeds the APR by not more than one; or

(b) a rate which falls short of the APR by not more than 0.1; or

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(c) in a case to which any of paragraphs 3 to 6 below applies, a rate determined in accordance with the paragraph or such of them as apply to that case.

Tolerance where repayments are nearly equal

3. In the case of an agreement under which all repayments but one are equal and that one repayment does not differ from any other repayment by more whole pence than there are repayments of credit, there may be included in an advertisement relating to the agreement a rate found under any of regulations 7, 9 and 10 of the Total Charge for Credit Regulations as if that one repayment were equal to the other repayments to be made under the agreement.

Tolerance where interval between relevant date and first repayment is greater than interval between repayments

4. In the case of an agreement under which -

(a) three or more repayments are to be made at equal intervals; and

(b) the interval between the relevant date and the first repayment is greater than the interval between the repayments.

there may be included in an advertisement relating to the agreement a rate found under any of regulations 7, 9 and 10 of the Total Charge for Credit Regulations as if the interval between the relevant date and the first repayment were shortened so as to be equal to the interval between repayments; and in this paragraph "relevant date" means, in a case where a date is specified in or determinable under the agreement at the date of its making as that on which the debtor is entitled to require provision of anything the

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subject of the agreement, the earliest such date and, in any other case, the date of the making of the agreement.

Tolerance where Consumer credit tables do not exactly apply

5. - (1) In a case where, in relation to any agreement the charge per pound lent, the flat rate or the period rate of charge, as the case may be, is not exactly represented by an entry in a table contained in the Consumer credit tables, there may be included in an advertisement relating to the agreement a rate found by applying the next greater entry appearing in those tables for the purposes of calculating that rate.

(2) In sub-paragraph (1) above "charge per pound lent", "flat rate" and "period rate of charge" have the meanings assigned to them by the relevant Introduction or Instructions contained in the Consumer credit tables.

Tolerance where period rate of charge is charged

6. In the case of an agreement to which regulation 7(1) of the Total Charge for Credit Regulations (agreements under which a period rate of charge is charged) applies, there may be included in an advertisement relating to the agreement a rate, being the APR determined as if no account were taken of any amount by which the total amount of the charges included in the total charge for credit in relation to each period is varied so as to bring that amount to the nearest whole penny, one half-penny being for this purpose expressed to the next higher whole penny.

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EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations consolidate with amendments the Consumer Credit (Advertisements) Regulations 1989. The Regulations govern advertisements by persons carrying on consumer credit businesses, consumer hire businesses and businesses in the course of which credit secured on land is provided to individuals. They also apply to advertisements published by credit-brokers.

Schedule 1 Parts II and III prescribes the form and content of different categories of advertisements and Part IV and V and VI contains special provisions for credit advertisements. The Regulations contain provisions with a view to ensuring that an advertisement conveys a fair and reasonably comprehensive indication of the nature of the credit or hire facilities offered by the advertiser and of their true cost to persons using them.

A number of detailed provisions in the 1989 Regulations have been omitted and the Regulations have been simplified.

The "Consumer credit tables" (Parts 1 to 15) referred to in regulation 1(2) and Schedule 3 may be obtained from Her Majesty's Stationery Office or through booksellers.

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STATUTORY INSTRUMENTS

1992 No.

CONSUMER CREDIT

The Consumer Credit (Agreements) Regulations 1992

Made 1992
Laid before Parliament 1992
Coming into Force 1992

Arrangement of Regulations

Regulations

1. Citation, commencement and interpretation.
2. Form and content of regulated consumer credit agreements.
3. Form and content of regulated consumer hire agreements.
4. Pawn-receipts.
5. Intertia selling.
6. Statutory Forms.
7. Signing of agreement.
8. Modifying agreements which are, or are treated as, regulated agreements.
9. Application of Regulations.

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SCHEDULES:

Schedule 1 - Information to be contained in documents embodying regulated consumer credit agreements other than modifying agreements.

Schedule 2 -

Part I Forms of statement of protection and remedies available under the Consumer Credit Act 1974 to debtors under regulated consumer credit agreements.

Part II Notice to be contained in documents embodying a combined consumer credit agreement and pawn-receipt.

Schedule 3 - Information to be contained in documents embodying regulated consumer hire agreements other than modifying agreement.

Schedule 4 - Forms of statement of protection and remedies available under the Consumer Credit Act 1974 to hirers under regulated consumer hire agreements.

Schedule 5 - Forms of signature box.

Schedule 6 - Prescribed terms for the purposes of sections 61(1)(a) and 127(3) of the Consumer Credit Act 1974.

Schedule 7 - Provisions relating to disclosure of the APR

Schedule 8 - Regulated modifying agreements.

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The Secretary of State, in exercise of the powers conferred on him by sections 60, 61(1)(a), 105(9), 114(1), 127(3), 182(2) and 189(1) of the Consumer Credit Act 1974**(a)** and of all other powers enabling him in that behalf, hereby makes the following Regulations:-

Citation, commencement and interpretation

1 - (1) These Regulations may be cited as the Consumer Credit (Agreements) Regulations 1992 and shall come into operation on [ ].

(2) In these Regulations, unless the context otherwise requires -

"the Act" means the Consumer Credit Act 1974;

"advance payment" includes any deposit and in relation to a regulated consumer credit agreement includes also any part-exchange allowance in respect of any goods agreed in antecedent negotiations to be taken by the creditor in part-exchange but does not include a repayment of credit or any insurance premium or any amount entering into the total charge for credit;

"the APR" means the annual percentage rate of charge for credit determined in accordance with the Total Charge for Credit Regulations and Schedule 7 to these Regulations and, in the case of modifying agreements, Regulation 7 of, and Part I of Schedule 8 to, these Regulations;

"cancellable agreement" includes an agreement which is a modifying agreement treated under section 82(5) of the Act as a cancellable agreement;

(a) 1974 c.39.

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"cash price" in relation to any goods, services, land or other things means the price or charge at which the goods, services, land or other things may be purchased by, or supplied to, the debtor for cash;

"contract of insurance" has the same meaning as it has in the Insurance Companies Act 1982;(a)

"earlier credit agreement" means an earlier agreement for the provision of credit;

"earlier hire agreement" means an earlier agreement for the bailment or the hiring of goods;

"guarantee of goods" means anything in writing which contains or purports to contain some promise or assurance (however worded or presented) that defects in goods will be made good by complete or partial replacement, or by repair, monetary compensation or otherwise;

"hire payment" means any payment to be made by the hirer in relation to any period in consideration of the bailment or hiring to him of goods under a regulated consumer hire agreement;

"lettering" includes figures and symbols;

"modified agreement" means an earlier agreement as varied or supplemented by a modifying agreement, which is treated as -

(a) revoking the earlier agreement, and

(a) 1982 c.50.

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(b) containing provisions reproducing the combined effect of the two agreements;

"the relevant date" shall be determined in accordance with the Total Charge for Credit Regulations and, in the case of modifying agreements, Regulation 7 of, and Part I of Schedule 8 to, these Regulations; and

"total charge for credit" shall be determined in accordance with the Total Charge for Credit regulations and, in the case of modifying agreements, Regulation 7 of, and Part I Schedule 8, to these Regulations; and

"the Total Charge for Credit Regulations" means the Consumer Credit (Total Charge for Credit) Regulations 1980**(a)**.

(3) In these Regulations, any reference to a repayment is a reference to -

(a) a repayment of the whole or any part of the credit;
(b) a payment of the whole or any part of the total charge for credit; or
(c) a combination of such repayments and payments.

The Consumer Credit (Agreements) Regulations 1983**(b)** are hereby revoked.

Form and content of regulated consumer credit agreements

2 - (1) Subject to paragraphs (2) and (8) below, documents embodying regulated consumer credit agreements (other than modifying agreements) shall contain the information set out in Column 2 of Schedule 1 to these Regulations in so far as it relates to the type of agreement referred to in Column 1.

(a) S.I. 1980/51.
(b) S.I. 1983/1553.

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(2) Where any information about financial and related particulars set out in paragraphs 9 to 11 of Schedule 1 to these Regulations cannot be exactly ascertained by the creditor, estimated information based on such assumptions as the creditor may reasonably make in all the circumstances of the case and an indication of the assumptions made shall be included in documents embodying regulated consumer credit agreements.

(3) Subject to paragraph 8 below, documents embodying regulated consumer credit agreements, other than agreements of the description specified in the Schedule to the Consumer Credit (Notice of Cancellation Rights) (Exemption) Regulations 1983(a) in relation to which there are no charges forming part of the total charge for credit, shall contain statements of the protection and remedies available to debtors under the Act, in the Form numbered in Column 1 of Part I of Schedule 2 to these Regulations and set out in Column 3, in so far as they relate to the type of agreement referred to in Column 2.

(4) Subject to paragraph (5) below, the information about financial and related particulars set out in paragraphs 3 to 19 of Schedule 1 to these Regulations, and also the statements of the protection and remedies available to debtors under the Act specified in Forms 5 to 10 of Part I of Schedule 2, shall be shown together as a whole in documents embodying regulated consumer credit agreements and not interspersed with other information apart from subtotals of total amounts and cross-references to terms of the agreement:

Provided that the said statements specified in Forms 5 to 10 of Part I of Schedule 2 need not be shown together as a whole with the said information about financial and related

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(a) S.I. 1983/1558.

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particular, if a reference to those statements is shown together with the said information about financial and related particulars.

(5) In the case of documents embodying restricted-use debtor-creditor-supplier agreements for fixed-sum credit to finance a transaction comprising the acquisition of goods, services, land or other things specified in the agreement or identified and agreed on at the time the agreement is made and relating to more than one description of goods, services, land or other things, the cash prices, and the total cash price, referred to in paragraph 4 of Schedule 1 to these Regulations may be shown in a schedule to such document together with each description of the goods, services, land or other things, provided that the total cash price and a reference to the schedule to such document are shown together with the remaining financial and related particulars specified in paragraphs 5 to 19 of Schedule 1.

(6) The APR referred to in paragraphs 15 to 17 of Schedule 1 to these Regulations shall in documents embodying regulated consumer credit agreements other than agreements of the description specified in the Schedule to the Consumer Credit (Notice of Cancellation Rights) (Exemption) Regulations 1983) in relation to which there are no charges forming part of the total charge for credit:-

(a) be denoted as "APR" or "annual percentage rate" or "annual percentage rate of the total charge for credit"; and

(b) be afforded no less prominence than any of the other financial and related particulars referred to in paragraphs 3 to 19 of Schedule 1 and the statements specified in Forms 5 to 10 of Part I of Schedule 2.

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(7) Subject to paragraph 8 below documents embodying regulated consumer credit agreements, other than agreements of the description specified in the Schedule to the Consumer Credit (Notice of Cancellation Rights) (Exemption) Regulations 1983, in relation to which there are no charges forming part of the total charge for credit shall contain a signature box in the Form numbered in Column 1 of Part I of Schedule 5 to these Regulations and set out in Column 3 in so far as it relates to the type of agreement referred to in Column 2 and shall, if the agreement is one to which section 58(1) of the Act applies, is a cancellable agreement or is an agreement under which a person takes any article in pawn and under which the pawn-receipt is not separate from the document embodying the agreement, contain a separate box immediately above, below or adjacent to the signature box in which shall be included the appropriate statements specified in Forms 1 to 4 of Part I, and in Part II, of Schedule 2.

(8) Documents embodying a debtor-creditor-supplier agreement falling within section 12(a) of the Act or a debtor-creditor agreement (in this paragraph in either case referred to as "the principal agreement") and also embodying, or containing the option of, a debtor-creditor-supplier agreement falling within section 12(b) of the Act (in this paragraph referred to as "the subsidiary agreement") where the subsidiary agreement is to finance a premium under either or both of -

(a) a contract of insurance to provide a sum payable in the event of one or more of the following -

(i) accident;
(ii) sickness;
(iii) unemployment;
(iv) death only

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of a debtor before the credit under the principal agreement and the subsidiary agreement has been repaid, where the sum payable does not exceed the amount sufficient to defray the sums payable to the creditor in respect of that credit and of the total charge for credit and where the policy monies payable under the contract of insurance are to be used for a repayment under the principal agreement and the subsidiary agreement;

(b) any other contract in so far as it relates to a guarantee of goods,

may contain instead of the headings, statements of the protection and remedies available to debtors under the Act and signature boxes that would otherwise apply -

(aa) a heading and signature box in so far as they relate to the principal agreement;

(bb) a statement in Form 12 of Part I of Schedule 2 to these Regulations; and

(cc) other statements other than in Form 14 of Part I of Schedule 2) of the protection and remedies available to debtors under the Act in so far as they relate to the principal agreement.";

(9) Documents embodying regulated consumer credit agreements shall embody any security provided in relation to the regulated agreement by the debtor.

(10) Documents embodying regulated consumer credit agreements shall not include in relation to any payment the expression "weekly equivalent" (or any expression to the like effect) or any expression of any other periodical equivalent,

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unless weekly payments or the other periodical payments are provided for under the agreement.

Form and content of regulated consumer hire agreements

3 - (1) Subject to paragraph (2) below, documents embodying regulated consumer hire agreements (other than modifying agreements) shall contain the information set out in Column 2 of Schedule 3 to these Regulations in so far as it relates to the type of agreement referred to in Column 1.

(2) Where any information about financial and related particulars set out in paragraphs 5 and 6 of Schedule 3 to these Regulations cannot be exactly ascertained by the owner, estimated information based on such assumptions as the owner may reasonably make in all the circumstances of the case and an indication of the assumptions made shall be included in documents embodying regulated consumer hire agreements.

(3) Documents embodying regulated consumer hire agreements shall contain statements of the protection and remedies available to hirers under the Act, in the Form numbered in Column 1 of Schedule 4 to these Regulations and set out in Column 3, in so far as they relate to the type of agreement referred to in Column 2.

(4) Subject to paragraph (5) below, the information about financial and related particulars set out in paragraphs 3 to 8 of Schedule 3 to these Regulations shall be shown together as a whole in documents embodying regulated consumer hire agreements and not interspersed with other information apart from subtotals of total amounts and cross-references to terms of the agreement.

(5) In the case of documents embodying consumer hire agreements relating to more than one description of goods to

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be bailed or hired under the agreement, the list or other description of the goods referred to in paragraph 3 of Schedule 3 to these Regulations may be shown in a schedule to such document, provided that a reference to the schedule to such document is shown together with the remaining financial and related particulars specified in paragraphs 4 to 8 of Schedule 3.

(6) Documents embodying regulated consumer hire agreements shall contain a signature box in the Form numbered in Column 1 of Part II of Schedule 5 to these Regulations and set out in Column 3, in so far as it relates to the type of agreement referred to in Column 2 and shall, if the agreement is one to which section 58(1) of the Act applies or is a cancellable agreement, contain a separate box immediately above, below or adjacent to the signature box in which shall be included the appropriate statements specified in Forms 1 to 3 of Schedule 4.

(7) Documents embodying regulated consumer hire agreements shall embody any security provided in relation to the regulated agreement by the hirer.

(8) The agreement shall not include in relation to any hire payment the expression "weekly equivalent" (or any expression to the like effect) or any expression of any other periodical equivalent, unless weekly payments or the other periodical payments are provided for under the hire agreement.

Pawn receipts

4 Where a pawn-receipt is given under section 114(1) of the Act, by a person who takes any article in pawn under a regulated consumer credit agreement or a modifying agreement varying or supplementing an earlier credit agreement which is, or is treated under section 82(3) of the Act as, a regulated agreement, and where the pawn-receipt is not separate from any document embodying such an agreement, it shall -

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(a) contain the information set out in paragraphs 1, 2 and 20 of Schedule 1 to these Regulations, or, in the case of a modifying agreement varying or supplementing an earlier credit agreement, in paragraphs 1, 2 and 20 of Part I of Schedule 8; and

(b) contain a notice in the Form numbered 16 in Column 1 of Part II of Schedule 2 to these Regulations and set out in Column 3.

Inertia selling

5 If there is a provision in a credit agreement which makes the debtor liable to pay for a service, the agreement must contain an immediate proximity to that provision a statement that if the debtor agrees to take the service he should express his agreement in a way indicated on the agreement form being one of the ways described below:-

(i) by signing or initialling the form in a box immediately next to the statement - not being the signature box for the whole agreement;

(ii) by ticking a box immediately next to the statement - not being the signature box for the whole agreement;

(iii) by deleting a statement that the debtor agrees to accept the service.

The above does not apply to a service which the debtor is required to take as a condition of the credit being made available.

Statutory Forms

6 - (1) The wording of any Form specified in Schedules 2, 4 and 5 to these Regulations shall be reproduced at the top of

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documents embodying regulated agreements without any alteration or addition, except that -

(a) the words "the creditor" or "the owner" may be replaced by the name of the creditor or owner, by the expression by which the creditor or owner is referred to in the agreement or by an appropriate pronoun, and any consequential changes to pronouns and verbs or other consequential grammatical changes may be made;

(b) the word "DEBTOR" may be replaced by "BORROWER" or "CUSTOMER" and the word "Debtor(s)" may be replaced by "Borrower(s)" or "Customer(s)"; and

(c) where the plural is not required the creditor may delete the (s) in relation to signature, debtor, borrower and customer.

(d) every Form shall be completed in accordance with any footnote.

(2) Any such footnote shall not be treated as part of any Form specified in the said Schedules and may be reproduced in addition to any such Form.

(3) Where any such footnote requires any words to be omitted, those words shall be omitted or deleted.

(4) Where words are shown in capital letters in any Form specified in Schedule 2, 4 or 5 to these Regulations and are reproduced in documents embodying regulated agreements, they shall be afforded more prominence (whether by capital letters, underlining, large or bold print or otherwise) than any other lettering in that Form except lettering inserted in accordance with paragraph (1)(c) above and no less prominence than that given to any other information in the document apart from the

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heading to the document, trade names, names of parties to the agreement or lettering in the document inserted in handwriting.

Signing of agreement

7 - (1) The terms specified in Column 2 of Schedule 6 to these Regulations in relation to the type of regulated agreement referred to in Column 1 (and no other terms) are hereby prescribed for the purposes of section 61(1)(a) of the Act (the terms which must be contained in a document if a regulated agreement is not to be improperly executed) and of section 127(3) (the terms which must be contained in a document before any enforcement order can be made under section 65(1), if section 61(1)(a) was not complied with).

(2) The lettering of the terms of the agreement included in the document referred to in section 6(1)(a) of the Act, containing all the prescribed terms of the regulated agreement, and of the information contained in that document for the purpose of conforming to these Regulations shall, apart from any signature, be easily legible and of a colour which is readily distinguishable from the colour of the paper.

(3) The signature of the said document shall be made in the following manner -

(a) by the debtor or hirer, or by or on behalf of the debtor or hirer in the case of a partnership or an unincorporated body of persons, in the space in the document indicated for the purpose, and, subject to subparagraph (c) below, the date of the signature shall be inserted in the space in the document indicated for the purpose;

(b) by the creditor or owner, or by a person on his behalf, outside any signature box in which the debtor or hirer may sign and, subject to sub-

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paragraph (c) below, the date of the signature shall be inserted outside any such signature box;

(c) in the case of a regulated agreement which is not a cancellable agreement, the date on which the unexecuted agreement becomes an executed agreement may be inserted in the document and in such a case any other date specified in paragraphs (a) and (b) above need not be inserted; and

(d) nothing in this Regulation shall prohibit the inclusion in the said document, near to any such signature, of the signature by any witness outside any signature box in which the debtor or hirer may sign.

(4) In Scotland any provision in paragraph (3) above requiring the said document to be signed shall be complied with by a body corporate if the document is properly executed in accordance with the law of Scotland.

Modifying agreements which are, or are treated as, regulated agreements

8 - (1) The provisions of these Regulations shall apply to modifying agreements which vary or supplement earlier credit agreements or earlier hire agreements and which are, or are treated under section 82(3) of the Act as, regulated agreements, subject as hereinafter mentioned.

(2) Subject to paragraphs (3) and (12) below, documents embodying modifying agreements varying or supplementing earlier credit agreements shall contain the information set out in Column 2 of Part I of Schedule 8 to these Regulations in so far as it relates to the type of modifying agreement referred to in Column 1.

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(3) Where any information about financial and related particulars set out in paragraphs 8 to 10 of Part of Schedule 8 to these Regulations cannot be exactly ascertained by the creditor, estimated information based on such assumptions as the creditor may reasonably make in all the circumstances of the case and an indication of the assumptions made shall be included in documents embodying modifying agreements varying or supplementing earlier credit agreements.

(4) Subject to paragraph (5) below, the information about financial and related particulars set out in paragraphs 3 to 19 of Part I of Schedule 8 to these Regulations shall be shown together as a whole in document embodying modifying agreements varying or supplementing earlier credit agreements in relation to the credit to be provided under the modified agreement and not interspersed with other information apart from subtotals of total amounts and cross-references to terms of the modifying agreement.

(5) In the case of documents embodying modifying agreements varying or supplementing earlier restricted-use debtor-creditor-supplier agreements for fixed-sum credit which were to finance a transaction comprising the acquisition of goods, services, land or other things specified in the earlier agreement or identified and agreed on at the time the earlier agreement was made and relating to more than one description of goods, services, land or other things, the cash prices, and the total cash price, referred to in paragraph 3 of Part I of Schedule 8 to these Regulations may be shown in a schedule to such document together with each description of the goods, services, land or other things, provided that the total cash price and a reference to the schedule to such document are shown together with the remaining financial and related particulars specified in paragraphs 4 to 19 of Part I of Schedule 8.

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(6) The APR referred to in paragraphs 14 to 17 of Part I of Schedule 8 to these Regulations shall in documents embodying modifying agreements varying or supplementing earlier credit agreements -

(a) be denoted as "APR" or "annual percentage rate" or "annual percentage rate of the total charge for credit"; and

(b) be afforded no less prominence than any of the other financial and related particulars referred to in paragraphs 3 to 19 of Part I of Schedule 8 and the statements specified in Forms 5 to 10 of Part I of Schedule 2.

(7) For the purpose of Part I of Schedule 8 to these Regulations, in calculating -

(a) the amount of repayments or of any capital outstanding under an earlier agreement;

(b) the total charge for credit (or any items included in it) in relation to the credit to be provided under the modified agreement; or

(c) the APR in relation to the modified agreement,

the relevant date shall be determined by reference to the date of the modifying agreement.

(8) For the purposes of Part I of Schedule 8 to these Regulations, the total cash price under the modified agreement shall be taken to be the total of -

(a) the total amount of the capital outstanding under the earlier agreement on the relevant date within

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the meaning of paragraph 5 of Part I of Schedule 8; and

(b) the cash price in relation to each list or other description of any additional goods, services, land or other things the acquisition of which is to be financed by credit under the modifying agreement.

(9) Subject to paragraphs (10, (12) and (15) below, documents embodying modifying agreements varying or supplementing earlier hire agreements shall contain the information set out in Column 2 of Part II of Schedule 8 to these Regulations in so far as it relates to the type of modifying agreement referred to in Column 1.

(10) Where any information about financial and related particulars set out in paragraphs 5 and 6 of Part II of Schedule 8 to these Regulations cannot be exactly ascertained by the owner, estimated information based on such assumptions as the owner may reasonably make in all the circumstance of the case and an indication of the assumptions made shall be included in documents embodying modifying agreements varying or supplementing earlier hire agreements.

(11) The information about financial and related particulars set out in paragraphs 3 to 8 of Part II of Schedule 8 to these Regulations shall be shown together as a whole in documents embodying modifying agreements varying or supplementing earlier hire agreements in relation to the goods to be bailed or hired under the modified agreement and not interspersed with other information apart from subtotals of total amounts and cross-references to terms of the modifying agreement.

(12) Where any information about financial and related particulars set out in paragraphs 3 to 19 of Schedule 1 to these Regulations and paragraphs 3 to 8 of Schedule 3 is

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contained in any document embodying an earlier agreement, nothing in the preceding provision of this Regulation shall require the information to be contained in any document embodying a modifying agreement varying or supplementing an earlier agreement except as mentioned in Schedule 8 if the information is not varied or supplemented by the modifying agreement and the document contains a statement to this effect.

(13) Documents embodying modifying agreements shall identify clearly the terms and financial and related particulars of earlier agreements varied or supplemented by modifying agreements.

(14) In the application of Regulation 6(1) above and Schedule 6 to these Regulations to modifying agreements, which are, or are treated under section 82(3) of the Act as, regulated agreements -

(a) for any reference to the type of agreement referred to in Column 1 of Schedule 6 there shall be substituted a reference to modifying agreements which vary or supplement the type of agreement referred to in Column 1 of Schedule 6;

(b) any reference in Column 2 of Schedule 6 to an agreement, or a term, shall be a reference to a modified agreement, or a term of a modified agreement, as the case may be; and

(c) any term referred to in Column 2 of Schedule 6 in relation to the type of modifying agreement referred to in sub-paragraph (a) above shall not be a prescribed term for the purposes of sections 61(1)(a) and 127(3) of the Act, if the term was a term of the earlier agreement and has not been varied or supplemented by the modifying agreement.

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(15) Where a modifying agreement varies or supplements an earlier hire agreement and the modified agreement is, or is treated as, a restricted-use debtor-creditor-supplier agreement, the provision of this Regulation shall apply to any document embodying the modifying agreement as though it varied or supplemented an earlier restricted-use debtor-creditor-supplier agreement, except that its heading shall be "Agreement modifying a Hire Agreement and regulated by the Consumer Credit Act 1974".

Application of Regulations

9 - (1) Subject to paragraph (2) and (3) below, Regulations 1 to 3 and 5 to 7 shall apply to regulated agreements, and modifying agreements treated under section 82(3) of the Act as regulated agreements, made on or after the date on which these Regulations come into force.

(2) In the case of a modifying agreement of a type specified in paragraphs 3 to 19 of Part I and 3 to 8 of Part II of Schedule 8 to these Regulations made on or after the date on which these Regulations come into force which varies or supplements an earlier credit agreement or an earlier hire agreement made before that date, nothing in these Regulations shall require the information about financial and related particulars specified in those paragraphs to be contained in any document embodying the modifying agreement if no term of the earlier agreement relating to such financial and related particulars has been varied or supplemented by the modifying agreement.

(3) Nothing in these Regulations applies to a regulated agreement which purports to bind a person to enter as debtor or hirer into a prospective regulated agreement and which is excluded from the operation of section 59(1) of the Act by the

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Consumer Credit (Agreements to enter Prospective Agreements) (Exemptions) Regulations 1983**(a)**.

3(a) Subject to paragraph (b) below, a person shall not be guilty of an offence under section 47(1) or 167 of the Act for contravention of these Regulations nor shall any agreement be void solely because it does not comply with the requirements of these regulations if the agreement would have complied with the requirements of the Consumer Credit (Agreements) Regulations 1983**(b)** if those Regulations had not been revoked by these Regulations.

3.(b) This regulation only applies to documents embodying agreements which are <u>either</u> an unexecuted credit agreement published in a catalogue, diary or work of reference comprising at least 50 printed pages -

(i) of which copies are first published, or made available for publication in the ordinary course of business, before [ ] 1992; and

(ii) which in a reasonably prominent position either contains the date of its first publication or specifies a period, being a calendar or seasonal period, throughout which it is intended to have effect.

<u>or</u>

[B] made after *..... and before **..... .

* 4 months after laying ** 6 months after laying

(a) S.I. 1983/1552.

(b) S.I. 1989/1125.

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Parliamentary Under-Secretary of State,
[ ] 1992 Department of Trade and Industry

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SCHEDULE 2

Part I

FORMS OF STATEMENT OF PROTECTION AND REMEDIES AVAILABLE UNDER THE CONSUMER CREDIT ACT 1974 TO DEBTORS UNDER REGULATED CONSUMER CREDIT AGREEMENTS

FORM NO (1)	TYPE OF AGREEMENT (2)	FORM OF STATEMENT (3)
3	Cancellable agreements not included in paragraph 2 or 4.	YOUR RIGHT TO CANCEL Once you have signed this agreement, you will have a right to cancel [it] for a few days [that part of this agreement which is regulated by the Consumer Credit Act 1974][1]. Exact details of how and when you can do this will be sent to you. Note: 1 Creditor to omit passage in square brackets which does not apply to the agreement.

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SCHEDULE 2
Part I

FORMS OF STATEMENT OF PROTECTION AND REMEDIES AVAILABLE UNDER THE CONSUMER CREDIT ACT 1974 TO DEBTORS UNDER REGULATED CONSUMER CREDIT AGREEMENTS

FORM NO (1)	TYPE OF AGREEMENT (2)	FORM OF STATEMENT (3)
12	Debtor-creditor-supplier agreements falling within section 12(b) and (c) of the Act, and multiple agreements not falling within paragraph 13 of which at least one part is a debtor-creditor-supplier agreement falling within section 12(b) or (c) of the Act.	IMPORTANT FACTS ABOUT YOUR RIGHTS The Consumer Credit Act gives you several important rights, for example:- 1. You can settle this agreement at any time by giving written notice and paying off amounts due under this agreement [which may be reduced by a rebate].1 2. You might be able to sue the supplier, us or both, if you have obtained unsatisfactory goods or services under a transaction financed by this agreement

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[apart from any purchased out of a cash loan][2]

3. You might be able to sue us if the contract is not fulfilled, perhaps because the supplier has gone out of business.

For more information about how the Act protects you, contact your local Trading Standards Department or Citizens' Advice Bureau."

Notes:

1. Creditor to insert phrase in square brackets in any agreement where rebate is payable under the agreement. agreement or the Consumer Credit (Rebate on Early Settlement) Regulations 1983.

2. Creditor to insert phrase in square brackets in any multiple agreement, of which at least one

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part is a debtor-creditor-supplier agreement falling within section 12(b) or (c) of the Act and at least one part is a debtor-creditor agreement falling within section 13(c) of the Act.

3. If this notice is on the rear of the documents embodying a credit agreement, the creditor should insert a notice in the following form on the front of the documents:

"IMPORTANT FACTS ABOUT YOUR RIGHTS"

The Consumer Credit Act gives you several important rights which are summarised overleaf."

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SCHEDULE 2

Part I

FORMS OF STATEMENT OF PROTECTION AND REMEDIES AVAILABLE UNDER THE CONSUMER CREDIT ACT 1974 TO DEBTORS UNDER REGULATED CONSUMER CREDIT AGREEMENTS

FORM NO (1)	TYPE OF AGREEMENT (2)	FORM OF STATEMENT (3)
14	All types not included in paragraphs 11, 12 and 13.	IMPORTANT FACTS ABOUT YOUR RIGHTS The Consumer Credit Act gives you several important rights, for example:- 1. You can settle this agreement at any time by giving written notice and paying off amounts due under this agreement [which may be reduced by a rebate].1 2. You might be able to sue the supplier, us or both, if you have obtained unsatisfactory goods or services under a transaction financed by this agreement [apart from any

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purchased out of a cash loan][2]

3. You might be able to sue us if the contract is not fulfilled, perhaps because the supplier has gone out of business.

For more information about how the Act protects you, contact your local Trading Standards Department or Citizens' Advice Bureau."

Notes:

1. Creditor to insert phrase in square brackets in any agreement rebate is payable under the agreement or the Consumer Credit (Rebate on Early Settlement) Regulations 1983.

2. Creditor to insert phrase in square brackets in any multiple agreement, of which at least one part is a debtor-creditor-supplier agreement falling

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within section 12(b) or (c) of the Act and at least one part is a debtor-creditor agreement falling within section 13(c) of the Act.

3. If this notice is on the rear of the documents embodying a credit agreement; the creditor should insert a notice in the following form on the front of the documents: IMPORTANT FACTS ABOUT YOUR RIGHTS

The Consumer Credit Act gives you several important rights which are summarised overleaf.

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SCHEDULE 2

Part I

FORMS OF STATEMENT OF PROTECTION AND REMEDIES AVAILABLE UNDER THE CONSUMER CREDIT ACT 1974 TO DEBTORS UNDER REGULATED CONSUMER CREDIT AGREEMENTS

FORM NO (1)	TYPE OF AGREEMENT (2)	FORM OF STATEMENT (3)
15	Credit-token agreements which make debtors liable for loss to the creditor resulting from the misuse of credit-tokens by other persons.	LOSS, THEFT OR MISUSE OF CREDIT-TOKEN If the credit card is lost, stolen or misused by someone who obtained it without your consent, you might have to pay up to £X[1] of any loss to us. If it is misused with your consent you will probably have to pay for all our losses. Tell us of the loss or theft of the credit card immediately you know of it. [Confirm your message within 7 days in writing otherwise you might have to pay for any of our losses which occur after you first told us of the loss or theft][2].

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Notes:

1. Creditor to insert the extent of the liability laid down in section 84(1) of the Act or the credit limit if lower or such lower figure as he may decide.

2. Creditor to omit phrase in square brackets if written confirmation is not required under the credit-token agreement.

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THE SCHEDULE

SCHEDULE 5
FORMS OF SIGNATURE BOX

PART I
REGULATED CONSUMER CREDIT AGREEMENTS

FORM NO (1)	TYPE OF AGREEMENT (2)	FORM OF SIGNATURE BOX (3)
1	Hire-purchase agreements.	IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU ARE SURE THAT YOU CAN KEEP UP THE PAYMENTS. Signature(s) of debtor(s) Date(s) of signature(s)[1] The goods will not become your property unless you have made all the payments. You must not sell them before then. Note: 1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.

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2	Conditional sale agreements relating to land ("Rental purchase agreements").	IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU ARE SURE THAT YOU CAN KEEP UP THE PAYMENTS. Your local Citizens Advice Bureau or Trading Standards Department can give you free advice on the advantages and disadvantages of this type of agreement and on how to seek advice from a solicitor either free or at a reduced rate. Signature(s) of debtor(s) Date of signature(s)[1] The property will not become yours until you have made [2]payments. You must not sell it before then. Notes: 1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required. 2. Creditor to insert "all the" or the number of payments as appropriate.

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3	Conditional sale agreements relating to goods.	IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU ARE SURE THAT YOU CAN KEEP UP THE PAYMENTS. Signature(s) of debtor(s) Date of signature(s)[1] The goods will not become yours until you have made [2]payments. You must not sell them before then. Notes: 1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required. 2. Creditor to insert "all the" or the number of payments as appropriate.
4	Agreements under which a person takes any article in pawn and where the agreement is not separate from the pawn-receipt.	IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU WANT TO BE LEGALLY BOUND BY ITS TERMS. THIS DOCUMENT IS ALSO YOUR PAWN RECEIPT. KEEP IT SAFELY. Signature(s) of debtor(s) Date of signature(s)[1]

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		The goods will not become yours until you have made [2]payments. You must not sell them before then. Notes: 1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required. 2. Creditor to insert "all the" or the number of payments as appropriate.
5	Multiple agreements of which at least one part is a credit agreement not regulated by the Act.	IMPORTANT: THIS IS A CREDIT AGREEMENT PARTLY REGULATED BY THE CONSUMER CREDIT ACT 1974. DO NOT SIGN IT UNLESS YOU ARE SURE YOU CAN KEEP UP THE PAYMENTS. Signature(s) of debtor(s) Date(s) of signature(s)[1] Note: 1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.
6	Agreements not included in paragraphs 1 to 5 or	IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU

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	7 to 12.	ARE SURE THAT YOU CAN KEEP UP THE PAYMENTS. Signature(s) of debtor(s) Date of signature(s)[1] Note: 1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.
7	Modifying agreements varying or supplementing earlier multiple agreements of which at least one part was a credit agreement not regulated by the Act and where at least one part of the modified agreement is not regulated.	IMPORTANT: THIS AGREEMENT VARIES AND/OR SUPPLEMENTS A CREDIT AGREEMENT AND IS PARTLY REGULATED BY THE CONSUMER CREDIT ACT 1974. DO NOT SIGN IT UNLESS YOU ARE SURE YOU CAN KEEP UP ANY NEW PAYMENTS. Signature(s) of debtor(s) Date(s) of signature(s)[1] Note: 1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.

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8	Modifying agreements other than those included in paragraph 7.	IMPORTANT: THIS AGREEMENT VARIES AND/OR SUPPLEMENTS A [1]AGREEMENT REGULATED BY THE CONSUMER CREDIT ACT 1974. DO NOT SIGN IT UNLESS YOU ARE SURE YOU CAN KEEP UP ANY NEW PAYMENTS. Signature(s) of debtor(s) Date(s) of signature(s)[2] Notes: 1. Creditor to insert "hire-purchase" or "conditional sale" or "credit" as appropriate. 2. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.
9	Agreements which require security comprising a mortgage or charge on the debtor's property other than agreements included in paragraph 10, 11 and 12.	IMPORTANT: IF YOU DO NOT KEEP UP PAYMENTS UNDER THIS AGREEMENT YOU RISK LOSING THE MORTGAGED PROPERTY. Signature(s) of debtor(s) Date(s) of signature(s)[1]

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		Note: 1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.
10.	Agreements for a loan secured on debtor's property where payments are to be made or may be made other than in sterling, or are to be made or may be made in sterling and converted into foreign currency under the terms of the agreement other than agreements included in paragraph 12.	IMPORTANT: THE AMOUNT OWING UNDER THIS AGREEMENT MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS. IF YOU DO NOT KEEP UP PAYMENTS YOU RISK LOSING THE MORTGAGED PROPERTY. Signature(s) of debtor(s) Date of signature(s)[1] Note: 1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.
11	Agreements for a loan secured on debtor's property where the amounts of payments are to be determined by reference to a unit of account or currency other than sterling other than agreements included in paragraph	IMPORTANT: THE STERLING EQUIVALENT OF THE AMOUNT OWING UNDER THIS AGREEMENT MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS. IF YOU DO NOT KEEP UP PAYMENTS YOU RISK LOSING THE MORTGAGED PROPERTY.

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12.

Signature(s)
of debtor(s)

Date(s) of
signature(s)[1]

Note:
1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.

12. Security comprises or may comprise a mortgage on the debtor's home and the whole or part of the loan must be applied to the purchase of an annuity which in all circumstances will be sufficient to cover payments under the agreement during the life time of the borrower.

IMPORTANT: UNDER THIS HOME INCOME SCHEME A LOAN WILL HAVE TO BE REPAID AFTER THE BORROWER'S DEATH, IF NECESSARY, BY SECURING THE BORROWER'S HOME. DO NOT SIGN THIS AGREEMENT UNLESS YOU WANT TO BE LEGALLY BOUND BY ITS TERMS.

Signature(s)
of debtor(s)

Date(s) of signature(s)[1]

Note:
1. Creditor may omit "Date(s) of signature(s)" where, by virtue of

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		regulation 7(3)(c), the date is not required.
13	Agreements for running-account credit.	IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU WANT TO BE LEGALLY BOUND BY ITS TERMS. Signature(s) of Debtor(s) Date(s) of signature(s) Note: 1. Creditor may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.
14	All types not included in paragraph 15 or 16.	IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU ARE SURE THAT YOU CAN KEEP UP THE PAYMENTS. Signature(s) of debtor(s) Date(s) of signature(s) Under this agreement the goods do not become your property and you must not sell them.

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PART II

REGULATED CONSUMER HIRE AGREEMENTS

15 Modifying agreements

IMPORTANT: DO NOT SIGN THIS AGREEMENT UNLESS YOU ARE SURE THAT YOU CAN KEEP UP ANY NEW PAYMENTS.

Signature(s)
of debtor(s)

Date(s) of signature(s)[1]

Note:
1. Owner may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.

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16 Hire agreements which require security comprising a mortgage or charge on the hirer's property.

IMPORTANT: IF YOU DO NOT KEEP UP PAYMENTS UNDER THIS AGREEMENT YOU RISK LOSING THE MORTGAGED PROPERTY.

Signature(s)
of debtor(s)

Date(s) of signature(s)[1]

Note:
1. Owner may omit "Date(s) of signature(s)" where, by virtue of regulation 7(3)(c), the date is not required.

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STATUTORY INSTRUMENTS

1992 No.

CONSUMER CREDIT

The Consumer Credit (Conduct of Business) (Lending Practices) Regulations 1992

Made 1992

Laid before Parliament 1992

Coming into Force 1992

The Secretary of State, in exercise of powers conferred on him by sections 26 and 54 of the Consumer Credit Act 1974(a) and of all other powers enabling him in that behalf, hereby makes the following Regulations:-

Citation, Commencement and Interpretation

1.- (1) These Regulations may be cited as the Consumer Credit (Conduct of Business) (Lending Practices) Regulations 1992 and shall come into force on [ ] 1992.

(a) 1974 c.39.

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(2) In these Regulations:-

"the Act" means the Consumer Credit Act 1974,

"a licensee" means any person holding a licence granted under Part III of the Act and other expressions used have the same respective meanings as in the Act.

"appropriate precautions" means those precautions which are appropriate having regard to all the circumstances of the case including the fact that the credit circular contains a clear statement that it is not intended to apply to minors.

"credit circulars" means any document mentioned in section 50(1) of the Act.

Inertia Selling

2. - (1) When, in the course of his consumer credit or consumer hire business, a licensee gives or sends -

(a) to a prospective debtor or hirer an application form for a consumer credit or hire agreement; or

(b) to a debtor or hirer any communication which relates to his consumer credit or consumer hire agreement;

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nothing therein shall be expressed to have effect that a service (not being a service the taking of which is a condition to entry into the consumer credit or hire agreement itself or which is entirely free of charge) will be provided to any such person unless some positive action is taken by him to decline it; and in this Regulation a "service" includes credit protection insurance and credit card protection plans related to the consumer credit or hire agreement in question.

Credit circulars to minors

3. A licensee shall -

(a) take appropriate precautions to minimize the risk of sending to any person under the age of 18 any credit circular; and

(b) take all reasonable precautions to ensure that any credit circular which may inadvertently be sent to any person under the age of eighteen should be clearly and prominently marked with a statement that credit is not available to minors.

Unsolicited credit circulars

4. A licensee shall -

(a) ensure that all the credit circulars which he distributes contain a statement which advises the

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persons to whom they are sent that they should notify him:-

(i) if they do not wish to receive any credit circulars from him in the future; and/or

(ii) if they do not wish him to forward their names to any other person for inclusion on mailing lists for credit circulars; and

(b) where he has been notified as to (i) above, he shall thereafter take all reasonable precautions to ensure that he sends no further credit circulars to such persons, and where he has been notified as to (ii) above he shall thereafter take all reasonable precautions to ensure that he does not send the names of such persons to any other person for inclusion on mailing lists for credit circulars.

Credit limits

5. - (1) A licensee shall only increase the credit limit in relation to any running-account credit (otherwise than where he intends the excess on that limit to be merely temporary) if either -

(a) an increase is needed in order to maintain the real value of the limit having regard to an increase in

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the Retail Price Index since that limit was first fixed or was last changed, or

(b) an increase has been requested by the debtor or his agent authorised for that purpose.

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STATUTORY INSTRUMENTS

1992 No.

CONSUMER CREDIT

The Consumer Credit (Quotations) (Secured Variable Interest Rates) Regulations 1992

Made 1992

Laid before Parliament 1992

Coming into Force 1992

The Secretary of State, in exercise of the powers conferred on him by sections 52,152, 182(2) and 189(1) of the Consumer Credit Act 1974(a) and of all other powers enabling him in that behalf, hereby makes the following Regulations:-

(a) 1974 c.39.

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10 These Regulations may be cited as the Consumer Credit (Quotations) (Secured Variable Interest Rates) Regulations 1992 and shall come into force on
[ ] 1992.

11 - (1) Any person who indicates that he may be willing to provide or arrange a personal credit agreement for a prospective debtor under which the interest rate is to be variable and which is to be secured by a mortgage or charge on real property shall, except in the case described in paragraph 5, ensure that the prospective debtor is furnished with a written statement clearly comparing the amounts payable and their number and frequency calculated on alternative sets of assumptions about interest rates.

2. - (2) <u>If the agreement is not a low start credit agreement, the alternative sets of assumptions are as follows.</u>

<u>Set (i)</u> The interest rate payable begins at the level which is quoted as the interest rate payable in the first period of that credit agreement and continues for the whole term of the credit agreement.

<u>Set (ii)</u> the interest rate payable during the whole term of the credit agreement is determined at the level specified at (i) above, with an additional one per cent. The one per cent increase shall be assumed to be effective from the earliest possible date under

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the agreement, when such a rise (whether mandatorily or optionally) could be made.

2. -(3) If the agreement is a low start credit agreement; the alternative sets of assumptions are as follows.

Set (i) In the whole of the initial period(s) the interest payable will be:

(a) if the person issuing the statement has quoted a rate payable in that period, the most recent quoted rate; or

(b) if the person issuing the statement has stated or implied that the interest payable in the initial period is at a reduced rate or at a discount but has not quoted a precise rate or identified any rate to which the reduction or discount; or applies, the standard rate less the stated or implied reduction or discount; or

(c) if the person issuing the quotation has stated or implied that the interest in the initial period is at a reduced rate and has not quoted a precise rate but has identified a rate to which the reduction or the discount applies,

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interest calculated at the identified rate less the stated or implied reduction or discount.

Set (ii) The amounts payable under the agreement and their number and frequency when the interest rate payable during each period of the agreement is determined at the levels specified in (i) above, with an additional one per cent. The one per cent increase shall be assumed to be effective from the earliest possible date under the agreement, when such a rise (whether mandatorily or optionally) could be made.

3. It shall only be permissible to use any assumptions about interest rates additional to or different from those set out above if:-

(a) not doing so would make it impossible to calculate the APR and amounts payable by the debtor or the result of the calculation would be misleading;

and:-

(b) any such additional or different assumptions are reasonable and are clearly set out in the statement.

4. The statement shall be furnished as soon as possible following receipt of a duly completed application form for the credit in question and before executing the agreement.

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5. If a duly completed application for a credit agreement or credit has been received by a creditor who decides to refuse the application, then the foregoing provisions shall not apply and no written statement need be provided.

6. If before or at the time when the unexecuted agreement is sent to the debtor for his signature the information in the statement which has been given to him ceases to be identical to the information which would be given if the quotation was being given again to the same person, a new and accurate quotation shall be given to the debtor before or at the time when the unexecuted agreement is so sent.

7. In these Regulations -

(i) "the statement" means the written statement referred to in paragraph 2(1) of these regulations.

(ii) "low-start credit agreement" means a credit agreement under which the interest rate payable for an initial period or periods is less than the standard rate.

(iii) "standard rate" means the interest rate payable at the time the quotation is issued on other credit agreements of the same creditor, where:

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(a) the total amount of the credit which has been advanced is in the range £30,000 to £50,000; and

(b) the debtor is a person not excluded by any restrictions indicated in the advertisement; and

(c) the debtor is not a person who is purchasing a residential property for the first time; and

(d) the relationship between the creditor and the debtor is an arms length one.

Where the creditor has more than one type of agreement which falls within the above criteria, at different rates of interest, then the standard rate shall be the mean of those rates.

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PROPOSALS FOR NEW LEGISLATION ON CREDIT MARKETING

COMPLIANCE COSTS

1 Section 7 of this consultative document set out the reasons for seeking information about compliance costs. This annex presents the information that has already been provided in a standardised form. However, there are some general comments and points of general applicability which can be made before considering each set of proposals.

IMPACT

2 The impact of these proposals will fall unequally on individual firms and companies, depending on the nature of their business. Some work, where costs may increase, such as vetting of mailing lists, can be contracted out to third parties (e.g. credit reference agencies, direct marketing organisations) although the costs are borne by the principal organisation. There is potential for double counting of costs if information is collected on a sectoral basis. Nevertheless it would be helpful if possible to receive estimates of the

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likely compliance costs for each of the main categories of business affected.

COMING INTO OPERATION

3 The proposed period for coming into operation of the regulations is now six months and not three or nine months as had been envisaged earlier. Comments should therefore be made on the basis of six months for coming into operation.

COMPETITIVE POSITION OF UK BUSINESSES

4 The Consumer Credit Licensing System generally requires that all businesses in the UK which offer credit to individuals (consumer credit) should be licensed and are subject to regulation under the Act. Non-UK companies providing consumer credit in the UK are subject to the same regulatory regime. UK companies which offer consumer credit in other countries will be subject to regulation in accordance with those countries' regulations.

SOURCES AND PRIOR CONSULTATION

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5 DTI Proposals for New Legislation on Credit Marketing - A Consultative Document (December 1990), and comments received in response to that document and subsequent discussions with the consumer credit industry, when estimates of compliance costs were invited on the basis of modified proposals.

MONITORING AND COMPLIANCE COST REVIEW

6 It is not proposed to undertake a monitoring and compliance review because this would require the collection of extensive data from business which would be onerous. There would also be considerable difficulty in separating the effects of these proposals from other changes.

CONCLUSION

7 Although it may be difficult for businesses to provide information on potential compliance costs, such information is needed to quantify the likely impact of a proposal on individual businesses and on business generally. In preparing the following assessment, we have benefited from help from the industry through consultation with leading trade associations as part of the consultative process on the December 1990

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consultative document and thereafter. We very much appreciate the help that has been given.

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AMENDMENTS TO THE CONSUMER CREDIT ACT (1974)

PURPOSE

1 To increase the effectiveness of existing prohibitions on sending credit circulars to minors; and to improve consumers' rights of cancellation in respect of certain credit transactions, enabling redress for "impulse" or "pressurised" purchases.

2 Proposal (2.2): to remove the defence under Section 50(2) of the Act and replace it with a more demanding requirement that could only be cited as a defence by those whose circulars had included a statement to the effect that the credit offered was not available to minors.

3 Proposal (2.4): to extend cancellation rights provided by sections 67 and 68 of the Act to cover debtor-creditor-supplier agreements signed on trade premises following face-to-face negotiations.

BUSINESS SECTORS AFFECTED

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4 Banks; building societies; finance houses; other providers of consumer credit; credit brokers; credit reference agencies; retailers offering goods/services to consumers, including mail order companies.

ADDITIONAL COSTS (RECURRING COSTS)

5(A) **Additional recurring costs of vetting mailing lists (£15-20 per 1000 names if not done in-house, or £600 per tape.), to ensure identification of minors and their exclusion from mailing.**

For a bank these recurring costs might amount to £150,000 per annum.

5(B) **Incremental cost of including statement about minors in recurrent printing of circulars**

5(C) **Additional administrative costs associated with advising consumers of their enhanced rights of cancellation**

For a bank, recurring costs have been estimated at between £30,000 and £50,000. For small and medium sized credit grantors, the annual recurring costs are estimated at £5000. For a finance house they are estimated at £15,000.

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Recurring costs relating to improved rights of cancellation and in respect of retail credit providers are said to include: additional delivery charges for free delivery after one week (£625,000); one week's cash flow on £250 million for delayed receipts from credit companies (£500,000); additional stock losses (£100,000), additional audit (£30,000); on-going training requirements (£20,000), and additional 1% branch payroll cost for extra time needed to serve customers, and for stock management.

ADDITIONAL COSTS (NON-RECURRING COSTS)

6(A) **Costs associated with new design of circulars and catalogues to include statement about minors, and associated printing and publishing costs**

For the direct marketing industry an indicative estimate of the cost of incorporating a statement has been provided - £7.5 million, based on 3 month notice and the assumption that the statement would be printed only on one part of a direct mail package.

For a bank, there might be a cost of between £350,000 and £550,000 if the statement about minors is to be provided.

6(B) **Costs incurred by wastage associated with unused stocks.**

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6(C) **Costs of changes to computer systems software to ensure effective identification of minors in databases.**

In the case of a large bank, with a credit card operation and providing other financial services, the non-recurring cost necessarily incurred to meet an even more rigorous requirement that the bank has taken all reasonable precautions and exercised all due diligence, has been estimated at £9.6 million, based on implementation in either three or nine months.

It was estimated that a building society might incur non recurring costs of between £5000 and £25,000 to implement a similar proposal, the costs varying according to whether there are nine or three months available for complying.

For a typical small or medium sized credit grantors, the range of non recurring costs is estimated at £1050/£8000, and £450/£4000, depending on size and whether three or nine months is available before new regulations are to be complied with. Similarly, for a finance house there might be non-recurring costs of between £126,000 and £76,500 depending on whether there were three or nine months available for complying.

6(D) **Additional operational costs associated with the exercise by some consumers of the right to cancel, e.g.**

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development of in-store systems for the recording of customers' goods held when the customer does not waive his or

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her cancellation rights. Costs associated with publicising the enhanced cancellations rights.

An estimate of £100,000 has been suggested for such systems development in respect of a chain of retail stores, to which might be added amendments to point of sale merchandising documents.

6(E) **Retraining costs to provide guidance to management on new regulations.**

An estimate of the cost of retraining for a large retail chain has been suggested, viz: £100,000 to reflect one hour of training per store, plus £45,000 for training videos and literature.

Alternatives

7 **Self regulation:** some self regulation exists in respect of the sending of circulars to minors, for example the voluntary inclusion of statements explaining that the credit being offered is not available to those under the age of 18. Enforcement authorities report that complaints from parents

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are still received, indicating that voluntary restraint is not fully effective.

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THE CONSUMER CREDIT ACT (ADVERTISEMENTS) REGULATIONS (1992)

PURPOSE

1 To help consumers by providing that they should receive fair information about the consumer credit being advertised, including advice about borrowing.

To clarify existing regulations for the benefit of the credit industry and enforcement authorities.

2 Proposal (3.2): to retain intermediate category of credit advertisements but provide for the exclusion of any information about the price of credit.

3 Proposal (3.4): to require the inclusion of prescribed statements in all intermediate and full credit advertisements. The statement to be included will depend on the nature of the credit being advertised, whether the advertisement uses the expression secured loan, whether a certain kind of home income scheme is advertised, and whether foreign currency is

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involved. Advertisements for unsecured loans must include a prescribed statement about affordability.

4 Proposal (3.6): to require that full category credit advertisements for agreements where rates of interest and/or other borrowing costs are variable must include a prescribed statement to the effect that the amounts to be paid may be increased or reduced by changes in rates.

5 Proposal (3.8): to require that all prescribed statements must be reproduced in sound in credit advertisements in audio-visual media, with exception only for broadcast media without sound (e.g. teletext). (Applies to intermediate and full category credit advertisements)

6 Proposal (3.10): to require that credit advertisements that give examples which include details of any of the following items, must include details of all the items:

(a) number, frequency and amount of repayments.

(b) total amount payable.

(c) Annual Percentage Rate of charge for credit (APR).

7 Proposal (3.12): to stipulate, in the case of low start loans, specific assumptions to be used in calculating the

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total amount payable; APR and "other payments and charges" referred to in paragraph 13 of Part III of Schedule 1 of the Consumer Credit Act (Advertisements) Regulations 1989.

8 Proposal (3.14): to amend the references in Schedule 1 Part II and Schedule 2 Part II to names, addresses and telephone numbers, and to correct a misprint in Schedule 1 Part III.

BUSINESS SECTORS AFFECTED

9 Banks; building societies; finance houses; other providers of consumer credit; credit brokers; retailers offering goods/services to consumers, including mail order companies.

ADDITIONAL COSTS -GENERAL

10 The requirement to exclude information about the price of credit from intermediate category credit advertisements; the costs of including prescribed statements in intermediate and full credit advertisements; decisions whether or not to continue to use audio visual media, and whether to do so to a greater or a lesser extent, may well result in changes in marketing strategies. Marketing funds currently allocated to consumer credit advertising may be used in different ways

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(e.g. discounts, or "free" gifts). Alternatively increased funds might be made available for consumer credit advertising. The consequential effect on sales cannot be predicted.

ADDITIONAL COSTS (RECURRING COSTS)

11(A) Any saving in reduced costs from simplified intermediate category advertisements, may be offset by greater use of the full category of credit advertisement which, containing more information, is more expensive.

11(B) Incremental cost of including statements in recurrent printing of credit documentation.

A medium sized bank might, it is estimated incur annual recurring costs of £3.875 million, but another has estimated £1.4 million, and such difference reflect the different use of media.

A building society might, it is estimated, incur recurring costs of £20,000 per annum.

For a major part of the retail credit sector it has been estimated that annual recurring costs, including an estimate of lost sales, would amount to £17.3 million.

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ADDITIONAL COSTS (NON-RECURRING COSTS)

12(A) **Extra design, printing and publishing costs associated with revision of marketing materials to provide for inclusion of short statements in some credit advertisements.**

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12(B) **Costs incurred by wastage associated with unused stocks.**

12(C) **Retraining costs to provide guidance to management on new regulations.**

An estimate of between £900,000 and £300,000 depending on whether three or nine months is allowed for preparation, has been suggested as indicative of the non-recurring costs which might be borne by a medium sized bank, but it is said that these costs could vary enormously. For small or medium sized credit grantors the non-recurring costs to the firm might be between £5000 and any smaller sum depending on whether three months or a longer period was available before coming into force. For a building society, costs between £25,000 and £50,000 might be incurred depending on whether nine or three months was available for compliance, and on the same basis a finance house might incur costs of between £47,000 and £65,600 in respect of reprinting of documentation.

It is estimated that, a total figure, comprehending costs likely to be incurred by 80% of the retail credit sector might in excess of £500,000 in respect of non-recurring costs.

ALTERNATIVES

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13 **Self regulation:** some self regulation already exists in respect of the inclusion of statements offering advice but this is not as extensive or as fully effective as the new proposals. Existing credit advertising practice tends to present information which is selective, omitting relevant information about the price of credit which consumers need to make informed decisions. There is also evidence that the enforcement authorities and industry have differently interpreted the current regulations governing the advertising of consumer credit in different ways and that intermediate credit advertisements have been a particular difficulty. It is unlikely, given the diversity of the industry and the variety of credit products, that voluntary extension of self regulation would prove as effective as these proposals. The possibility of enforcement action against non-compliance, would be lost.

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THE CONSUMER CREDIT ACT (AGREEMENTS) REGULATIONS (1992)

PURPOSE

1 To help consumers by providing that they should receive fair information, including advice on borrowing, about the consumer credit agreement that they are being invited to enter into before they sign.

To prohibit the use of misleading and partial information

To clarify existing regulations for the benefit of the credit industry and enforcement authorities.

2 Proposal (4.2): to require that all credit agreements should include prescribed statements in the signature box. The statements to be included will depend on the nature of the agreements, but include statements relating to secured loans, foreign currency loans, certain home income schemes, rental purchase of homes, pawn agreements, running account credit agreements and all other consumer credit agreements.

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3 Proposal (4.4): to prohibit inclusion of examples of periodical equivalents in agreement forms, or in the documents referred to in agreement forms, where the agreement does not provide for such arrangements.

4 Proposal (4.6): to prohibit the inclusion in credit agreements of inertia selling provisions: i.e. provisions such as negative options which have the effect that an optional service will be provided at a charge to the borrower unless he or she takes some positive action to decline the service.

BUSINESS SECTORS AFFECTED

5 Banks; building societies; finance houses; other providers of consumer credit; credit brokers; retailers offering goods/services to consumers, including mail order companies.

ADDITIONAL COSTS (RECURRING COSTS)

6(A) **Loss of income from premiums obtained for securing credit payment protection insurance and other business using inertia selling techniques.**

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6(B) Incremental cost of including statements in recurrent printing of agreement forms and credit documentation.

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ADDITIONAL COSTS (NON-RECURRING COSTS)

7(A) **Design, printing and publishing costs associated with revision of agreements forms and related documentation to provide for inclusion of short statements in credit agreements.**

7(B) **Costs incurred by wastage associated with unused stocks.**

7(C) **Retraining costs to provide guidance to management on new regulations.**

For a medium sized bank, an estimate of costs between £150,000 and £250,000 depending on whether nine or three months is available for complying with the new regulations, and based on redesign, reprinting and writing off stocks, has been given. Costs for a building society have been estimated at £20,000 (3 months) and £5000 (nine months), varying in accordance with the time constraints. And for a finance house, the non-recurring costs have been estimated as £128,000 (three months) and £76,800 (nine months) depending on how long is available for complying.

For small and medium sized credit grantors, the non-recurring costs might range from £2000-£20,000 if three months is

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available for complying with the new requirements, and from £700 - £10,000 if nine months was available.

ALTERNATIVES

8 Some self regulation exists in respect of not using negative options or weekly equivalents where they are not appropriate. It is unlikely, given the diversity of the industry and the variety of credit products, that voluntary extension of self regulation would prove as effective as these proposals. The possibility of enforcement action against non-compliance, would be lost.

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THE CONSUMER CREDIT ACT (CONDUCT OF BUSINESS) (LENDING PRACTICES) REGULATIONS 1992

PURPOSE

1 To give consumers some additional protection from:

- unwanted credit circulars, particularly those that are sent to minors;

- unwanted increases in credit limits applied to running account credit agreements, and

- the application of inertia or negative option selling techniques.

2 Proposal (5.2): to require that a person licensed under the Consumer Credit Act should take all reasonable precautions to ensure that they do not send any credit circulars to minors unless the circular clearly states that credit is not available to minors; and they should take appropriate precautions to minimise the risk of sending credit circulars to minors if the circular does contain such a statement.

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3 Proposal (5.5): to require that a person licensed under the Consumer Credit Act should ensure that all credit circulars which they issue contain a statement advising people who do not want to receive further credit circulars from them to notify the licensee of the fact. The statement should also invite the recipient to notify the licensee if he or she does not wish his or her name to be forwarded by the licensee to related companies and third parties for inclusion on their mailing lists. The licensee should also take reasonable precautions to ensure that no further credit circulars are sent to people who have requested that they should not be sent them.

4 Proposal (5.8): to require that a person licensed under the Consumer Credit Act must not increase the credit limit under any agreement for running account credit (except where he intends that increase to be temporary) unless the increase has been requested by the borrower or is simply an adjustment for inflation.

5 Proposal (5.10): to require that a person licensed under the Consumer Credit Act should not present or send to borrowers or prospective borrowers consumer credit documents containing inertia selling provisions: i.e provisions such as "negative options" which have the effect that an optional

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service will be provided unless the borrower takes some positive action to decline the service.

BUSINESS SECTORS AFFECTED

6 Banks; building societies; finance houses; other providers of consumer credit; credit brokers; retailers offering goods/services to consumers, including mail order companies.

ADDITIONAL COSTS (RECURRING COSTS)

7(A) **Incremental cost of recurrent printing of enhanced consumer credit documentation to provide for the requesting of credit limit increases by consumers.**

7 (B) **Additional costs associated with systems development to facilitate vetting mailing lists to ensure identification of minors, and those who have requested that no further circulars be sent, and their exclusion from mailing.**

7(C) **Loss of potential income from business arising as a consequence of related companies' and third parties successfully marketing their goods and services to consumers who have requested that their names should not be forwarded.**

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7(D) Additional provisions for bad debts due to setting of higher initial credit limits.

7(E) Cost of increased marketing activity to offset loss of sales.

7(F) Loss of income from provision of services using inertia selling techniques may be significant, an estimate of a 25% reduction in income from this source has been suggested.

It has been suggested that for a medium sized bank the costs could be £750,000, but that for a large bank group as a whole the costs might be in the region of £10 million.

The annual recurring cost for an average mail order trading company has been estimated at £6 million.

It is estimated that a large credit card company might incur costs of £2.5 million per annum complying with restrictions on credit circulars, inertia selling, and the prohibition on unsolicited increases in credit limits.

For a building society it has been estimated that to comply in respect only of restrictions on the provision of credit circulars would involve recurring costs of £2000 per annum.

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For a finance house, it is estimated that recurring costs would amount to £3000 per annum.

For 80% of the retail credit sector, covering the major high street suppliers, an estimate of annual recurring costs has been suggested: £18 million per annum, attributable to costs of systems changes, increased bad debts in respect of credit limits being set too high, and losses to retailers as a consequence of consumers not having taken out credit payment protection.

ADDITIONAL COSTS (NON-RECURRING COSTS)

8(A) **Extra design, printing and publishing costs associ with inclusion of a short statement in credit circulars an mail order catalogues.**

8(B) **Costs incurred by wastage associated with unused stocks.**

8(C) **Re-training costs to provide guidance to management on new regulations.**

An estimate of between £300,000 and £410,000, according to whether nine or three months was available for the transition to the new regime, has been provided for the non recurring costs of a medium sized bank.

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It is estimated that small and medium sized credit grantors would each incur costs of £4000.

It has been estimated that the non-recurring costs incurred by a building society in respect of complying with restrictions on credit circulars would range from £10,000 to £25,000 depending on whether nine or three months was available for complying.

And that an average mail order trading company might incur costs of £50,000.

It is estimated that a large credit card company might incur non-recurring costs of £1.25 million complying with the restrictions on credit circulars, inertia selling, and the prohibition on unsolicited increases to credit limits, on the basis of a nine month period for complying.

For a finance house it is estimated that non recurring costs would amount to between £120,000 and £72,000 depending on whether there was three or nine months available for compliance.

Overall estimates of £700,000 and £150,000 have been suggested in respect of most companies operating in the retail credit sector, the different figures reflecting whether three or nine months is allowed for complying with the regulations.

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ALTERNATIVES

9 Some self regulation exists in respect of not sending credit circulars to minors. There are also some provisions for large organisations to flag the names of those of their customer who have asked not to be sent further circulars. Some mailing is done on an agency basis by third parties which may make controls less effective. There is also the mailing preference service which can assist in helping consumers ensure that they receive no further unwanted credit circulars. These mechanisms appear not to be as fully effective as might be thought. There is also self regulation on application of increases to credit limits through the application of behavioural scoring techniques by lenders before increases are offered. Nevertheless there is continued concern from consumers who are offered increased limits which they have not requested and do not want.

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THE CONSUMER CREDIT (QUOTATIONS) (SECURED VARIABLE INTEREST RATES) REGULATIONS 1992

PURPOSE

1 To alert prospective borrowers to the risks of over-commitment due to increases in the interest rates on variable rate secured loans.

2 Proposal (6.2): to require that anyone who is offering to provide or arrange a variable interest rate secured loan must provide to the prospective borrower in writing before the agreement is made a statement of [A] the amounts payable under the loan if the interest rate chargeable will start at the level quoted and will remain at that level for the whole term of the loan, and [B] the amounts payable under the loan in the event of interest rates being at the level determined under [A] plus 1%. The regulations will also make special rules for low start loans and other special types of facility.

BUSINESS SECTORS AFFECTED

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3 Banks; building societies; finance houses; other providers of consumer credit; credit brokers.

ADDITIONAL COSTS (RECURRING COSTS)

4(A) Costs associated with the provision of more information particularly staff time preparing estimates, and if necessary, posting them.

Estimates of £1 million per annum and £750,000 per annum have been provided in respect of the group operations of two banks.

For a Finance House, it has been estimated that annual recurring costs might amount to £100,000

ADDITIONAL COSTS (NON-RECURRING COSTS)

5(A) Retraining costs to provide guidance to management on new regulations.

5(B) New design, printing and publishing costs associated with preparation of document to illustrate the effect of change in amounts payable under variable interest rate secured loans.

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5(C) **Costs associated with system changes which may be need to enable computers to be used to produce the information that is required.**

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Estimates of more than £ 1 million and of £250,000 have been given for systems changes for banks.

For a medium sized bank, estimates of £20,000 and £50,000, if nine or three months were available for making the changes, have been provided for the costs of reprinting.

For a building society, it has been estimated that the non-recurring cost would be £15,000, and for a finance house, £8000.

ALTERNATIVES

6 Discussion with the industry has centred on the difficulty of realising the intention behind this proposal. Suggestions for alternative approaches have been few. An alternative means of bring to the attention of consumers the likely effect of a change in interest rates on the amounts that they have to pay, might be to offer a range of assumptions as to the percentage change that might take effect. This range could be very wide, for example one might illustrate the effect of 0.5%, 1%. 1.5% (etc) increases or decreases, and one might make assumptions as to when, other than in the terms of the agreement, such increases might

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happen, for example in 6, 9, 12 or 18 months. What is proposed is a much simpler and should therefore be more cost-effective method of illustrating the effect of change from which the individual consumer might carry out his or her own calculations. At present, consumers may take too little account of the possibility and potential extent of interest rate changes and the impact of condition in the operation of the credit agreement (e.g. the end of the "fixed" rate period; the impact of step changes with low start loans).

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SUMMARY OF VIEWS OF CONSULTEES ON PROPOSALS IN 1990 CONSULTATIVE DOCUMENT

PROPOSALS FOR AMENDING THE CONSUMER CREDIT ACT

SENDING OF CREDIT CIRCULARS TO MINORS (2.2)

1.1 Proposal To remove the defence provided by Section 50(2) of the Consumer Credit Act for a person who has breached the prohibition on the sending of credit circulars to minors (See also the proposal in paras 5.2 and 5.3 of the consultative document for a regulation on sending circulars to minors.) The defence under section 50(2) is that the lender did not know and had no reasonable cause to believe that the person to whom the circular was sent was a minor. The purpose of the proposal is to make people sending out credit circulars check that none of the addressees are minors.

1.2 Views of Consultees Representatives of consumers and enforcement agencies have in general supported the proposal but some have pointed out that there are relatively few complaints about credit circulars being sent to minors.

1.3 Credit industry interests and representatives of the direct mail sector have argued that the lack of complaints about credit circulars being sent to minors indicates that there is no need for this proposal to be implemented. They point out that the cost of vetting mailing lists to ensure that all addressees are adults is relatively high.

1.4 The comment has also been made that this proposal would create unacceptable uncertainty. Someone who sends a

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circular to a minor would have a defence if he could show that he had taken "all reasonable precautions and exercised all due diligence to avoid" sending the circular to a minor. The problem is that it is uncertain what would constitute "all reasonable precautions". The uncertainty is said to be compounded by the constraints on checks arising from data protection legislation. It is claimed that an EC draft directive on data protection would prohibit the use of the Electoral Roll for this purpose. In addition, the Data Protection Registrar is known to have reservations about the recording of information by date of birth.

1.5 Another problem is said to arise because there are many adults who are not on the Electoral Roll and there is no obvious and economical way of checking whether anyone whose name is not on the Electoral Roll is an adult.

1.6 It is also argued that it would be unreasonable to have to check the very extensive mailing lists for mail order catalogues just because the catalogue includes a credit advertisement.

1.7 Finally a suggestion has been made which would alleviate some of the problems concerning consultees. The suggestion is to leave the existing defence in Section 50(2) to apply in the case of credit circulars which include a clear statement that the credit being offered is not available to persons under the age of 18.

CANCELLATION RIGHTS (2.4)

1.8 Proposal To extend the cancellation rights provided by Sections 67 and 68 of the Consumer Credit Act to cover debtor-creditor-supplier agreements (as defined by Section 12) which are signed on trade premises following face-to-face negotiations.

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1.9 Views of Consultees This proposal was strongly opposed by credit industry interests in particular representatives of the retailers, and strongly supported by consumer representatives and enforcement agencies.

1.10 Differing views were expressed as regards the need for the proposal. Credit industry interests argued that they have few complaints about impulse purchases and that retail credit in general gives rise to less problems than other types of credit. However, consumer representatives and enforcement agencies are concerned about people who make impulse purchases and regret their decision later. It has been pointed out: first that these people would not necessarily complain about this to the retailer; secondly that a 1988 poll indicated that 66% of consumers want a cancellation period in all cases; and thirdly that a recent major survey has shown that one-off credit agreements taken out on the spur of the moment have twice as many defaults as agreements which the borrower had planned to enter into.

1.11 The proposal has been criticised for discriminating against credit agreements arranged at the point of sale as compared to pre-existing credit facilities. The proposal would result in a cancellation right in the former case but would not give a cancellation right in relation to goods purchased eg with an existing credit card. However representatives of consumers point out that this differential treatment is justifiable on the basis that a customer who takes out a credit facility which can be used at a time of his own choosing already has an opportunity to consider the terms of that credit facility before he uses it.

1.12 A number of consultees have drawn attention to the fact that the proposal could result in inconvenience to

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consumers if they have an urgent need for a product and cannot afford to pay for it in cash because some retailers will refuse to release goods until the cancellation period has expired. It has been suggested that the solution to this problem may be that consumers should have the option of waiving their cancellation rights in return for obtaining immediate delivery. It has also been suggested that the cancellation right should be forfeited if goods are not returned in perfect condition.

1.13 There is a widely held view that the two day cancellation period proposed in the consultation paper is too short. In addition, credit industry interests have argued strongly that the various cancellation periods under the Consumer Credit Act should have the same commencement and duration.

1.14 The credit industry maintain that this proposal would impose substantial costs on them.

1.15 Finally, credit interests are concerned about the possibility that any cancellation rights might be abused. The concern is that consumers may obtain goods with the intention of returning them at the end of the cancellation period in order to obtain free use of the goods during that period.

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PROPOSALS FOR AMENDING THE CONSUMER CREDIT ADVERTISING REGULATIONS

0% CREDIT (3.2)

2.1 Proposal A credit advertisement cannot contain the expression "0% credit" and other expressions of similar effect unless it is a full credit advertisement.

2.2 Views of Consultees Credit industry interests, especially representatives of retailers, have argued that the proposal is unnecessary. They say that the default rate among consumers taking out free credit is very low and that the consumers attracted to zero per cent credit are usually well informed and reasonably well off. A recent major survey has shown that almost none of the people who had interest-free credit agreements had any repayment difficulties.

2.3 Retailers argue that interest free credit is beneficial to consumers and that the proposals will add significantly to the length of advertisements for interest free credit and will distract attention from the main message - ie the credit is free. It is also pointed out that because zero per cent credit is mainly offered by retailers, the proposal will disadvantage retail credit providers relative to banks and specialist credit providers.

2.4 Consumer representatives and enforcement agencies generally welcome the proposal. Many advertisements for free credit do not at present disclose the large deposit requirements, short repayment periods and minimum purchase price criteria which often exist in relation to these facilities.

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2.5 Some consumer groups and enforcement agencies have expressed concern, as have some parts of the credit industry, that the proposed requirement for additional information to be included in advertisements for free credit would not apply to offers of credit at nominal rates (eg 0.1%) and that the intention of the proposal could be frustrated by a switch to this type of facility.

INSTANT CREDIT (3.4)

2.6 Proposal A credit advertisement cannot contain the expression "instant credit" and other expressions of similar effect unless it is a full credit advertisement.

2.7 Views of Consultees Consumer representatives and enforcement agencies support the proposal because of concern about impulse purchases made on credit. However, this proposal has been strongly opposed by credit industry interests, especially representatives of retailers. It has been argued that this proposal would apply in the main to retail credit advertisements as it is these advertisements which mainly refer to instant credit. The retailers point out that there is little evidence that retail credit is a major cause of consumer over commitment - indeed it seems to give rise to fewer problems than other types of credit.

2.8 The credit industry argue that rapid decisions about credit and quick availability of credit are convenient to consumers and that this proposal would make it more difficult to bring these facilities to consumers' attention. The proposed regulation would add significantly to the amount of information in advertisements which mention "instant credit" and so distract from the main message.

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WARNINGS IN ADVERTISEMENTS - GENERAL (3.6, 3.8, 3.12, 3.25)

2.9 Proposal The consultative documents makes a number of proposals for requiring warning messages to be included in credit advertisements. Each of the messages would be preceded by a flag word "WARNING".

2.10 Views of Consultees The principle of requiring credit advertisements to include one or more prescribed statements giving advice and information about credit is supported by consumer representatives and enforcement agencies. The main argument in favour of the proposal is that information about the cost and risks of credit needs to be given at an early stage in a prospective borrower's consideration of taking on new commitments. It needs to be at an early stage so that the consumer can compare alternatives and can make decisions free from the pressure of time and sales personnel.

2.11 The main argument advanced by credit industry interests and others against multiple warnings in advertisements is that the amount of information and advice to be communicated is too much for many people to absorb and will therefore be disregarded. Some consumer representatives are also concerned about the risk of information overload and acknowledge this as a constraint on the number of warnings.

2.12 It has also been argued that multiple warnings will make credit advertising more expensive and less persuasive so resulting in less advertising particularly on TV and radio. This will increase the cost of credit and reduce competition.

2.13 It has been suggested that if additional information and advice is needed, it should be communicated in other ways: by extra statements in quotations and agreements;

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by requiring all lenders to give prospective borrowers a check-list of factors to take into account before entering into a credit agreement; by an advertising campaign to increase awareness of the costs and risks of credit; or by a combination of all these methods.

2.14 Credit industry interests and others have also argued that the flag word "WARNING" is excessively strong. They consider that this word should apply only in the case of risks to life and health. It is further argued that whatever the flag word is it should not have to be repeated before each prescribed statement. It is argued that the language of the prescribed statements is too harsh, and implies that credit is undesirable.

ADVERTISEMENTS ON RADIO TV AND FILM (3.18)

2.15 Proposal The requirement in Regulation 2(6) of the Advertising Regulations that information must be "easily legible" should be changed to a requirement that it be "easily legible or audible". The requirement in Regulation 2(6) that information shall, with certain exceptions, "be shown together as a whole" should be changed to a requirement that it must be "communicated together as a whole". The requirements in Regulation 8(2) about the prominence of prescribed forms of statement should be supplemented by a requirement that in the case of TV and film advertisements such statements must be "reproduced in sound".

2.16 Views of Consultees There is general support for the proposal that the requirement for information in credit advertisements to be legible should be changed to a requirement that it should be legible or audible.

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2.17 There is also general support for the proposal that the requirement to "show" information together as a whole should be changed to a requirement to "communicate" information together as a whole.

2.18 Credit industry, advertising industry and media interests are in the main opposed to the requirement that in the case of audio-visual media prescribed warning statements must be "reproduced" in sound. They argue that this will make advertisements and ultimately credit more expensive because of the time taken to read out warning statements. As the statements may also deter some prospective borrowers the effect of the proposal could be largely to kill off advertising on audio visual media. It has therefore been suggested that it should be permissible for the prescribed statements to be shown as text on the screen rather than read out. However, research carried out in connection with this proposal has demonstrated that on TV, statements which are read out have much more impact on the audience than text which is shown on the screen.

2.19 It has also been pointed out that special provision needs to be made for teletext advertisements as these cannot include sound.

2.20 It has also been suggested that the warning statements should be reduced in number and shortened and that if this cannot be done generally it should be done for audio and audio-visual media because of the high cost of including long prescribed statements in advertisements in these media.

WARNING ABOUT VARIABLE INTEREST RATES (3.6)

2.21 Proposal A credit advertisement for agreements with variable rate interest must include after the APR the

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statement "WARNING CHARGES MAY BE INCREASED AFTER THE AGREEMENT IS MADE."

2.22 Views of Consultees Consumer representatives and enforcement authorities support the concept of a warning that interest rates and other charges may be increased after an agreement is entered into. However, the drafting of the statement is said to be defective: many consumers will not appreciate that "charges" includes "interest rates".

2.23 Credit industry interests are opposed to the proposed warning. They maintain that the present regulations already require advertisers to draw attention to the fact that rates are variable but allow this to be done very concisely by putting the word "variable" after the APR. They say that consumers are well aware that an increase in interest rates is going to affect the amount of payments. Lenders are concerned that the prescribed statement as presently drafted refers to the possibility of rates going up but not to the possibility of them going down.

WARNING ABOUT AFFORDABILITY (3.8)

2.24 Proposal All advertisements which indicate that someone is willing to provide credit should contain the statement "WARNING DO NOT ENTER INTO A CREDIT AGREEMENT UNLESS YOU ARE SURE THAT YOU CAN AFFORD THE PAYMENTS."

2.25 Views of Consultees There was some support for this proposal from enforcement authorities and consumer groups but also some criticism on the grounds that it amounts to warning people about their own actions rather than about the risk and cost of credit.

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2.26 Consumer representatives and other consultees have also pointed out that most debt problems arise from changes in circumstances, not perception of affordability at the time the debt is taken on.

2.27 Credit industry interests and media and advertising industry representatives were generally opposed to the warning.

(a) It is unnecessary because it is telling people something they know already.

(b) There are a number of technical problems (eg in relation to adverts which are also quotations, in relation to running account credit and in relation to mail order catalogues).

2.28 It has been suggested that if a statement about affordability is to be retained it should be made less negative. The following alternative wording has been suggested: "Remember credit is only useful if you can afford the repayments".

WARNING ABOUT FOREIGN CURRENCY MORTGAGES (3.12)

2.29 Proposal Where the advertisement is for a mortgage or other loan secured on property and payments by the borrower under the loan are either to be made in a currency other than sterling or are to be made in sterling but the amount is to be determined by a currency or unit of account other than sterling, the advertisement shall contain a warning statement about the risks of exchange rate movements.

2.30 Views of Consultees There is general support for an improved foreign currency warning in advertisements.

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However a number of technical points of detail have been made about the drafting of the statement.

WARNING ABOUT RISKS OF SECURED LOANS (3.25)

2.31 Proposal The consultation document mentioned that concern had been expressed about the costs of including in radio and TV advertisements the prescribed form of words "YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOAN SECURED ON IT". Consultees were invited to propose any alternative shorter form of words which they considered would convey the same meaning at least as effectively.

2.32 Comments were also invited on whether the requirement to make this statement should be disapplied in the case of advertisements for Home Income Statements which are so constructed as to avoid any risk of non-payment by the borrower during his life time.

2.33 Views of Consultees There was general support for the suggestion that the existing prescribed statement should be shortened provided the new version conveys the same meaning at least as effectively. Some consultees stressed the proviso.

2.34 There were divided views on whether the statement should refer to "payments" or "repayments".

2.35 A number of suggestions for shortening the statement have been made. One suggestion is that the words "or other loan secured on it" could be dropped if the advertisement refers to a "mortgage" and does not use the word "secured". Conversely if the advertisement refers to a loan being "secured" but does not use the word "mortgage" the words "mortgage or other" could be omitted.

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2.36 It has also been suggested that the statement would have more impact if it began "You risk losing your home if..."

2.37 There were several comments on Home Income Schemes. The Office of Fair Trading is strongly against any exemption as it considers the present warning is useful in drawing attention to the possible loss of the property after the borrower's death but when dependants may still be living. Some consultees have suggested that there is a need for additional warnings about the risks associated with Home Income Schemes.

ABOLITION OF INTERMEDIATE CATEGORY ADVERTISEMENTS (3.27)

2.38 Proposal: The consultation document invited comments on the possibility of abolishing the intermediate category altogether or of restricting its use to unsecured loans.

2.39 Views of consultees Consumer representatives and enforcement authorities generally favour abolition of the intermediate category for both secured and unsecured credit. The points made were as follows.

(a) Intermediate advertisements can be misleading because they give an incomplete description of the credit facilities being advertised.

(b) The complexity of the regulations on intermediate regulations is a source of confusion and misunderstanding amongst advertisers and this leads to breaches of the regulations.

(c) There should be no differentiation between secured and unsecured loans. Large loans are available unsecured and some brokers in the distress market

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could advertise unsecured loans and "switch sell" to secured loans.

2.40 Credit industry interests and advertising industry interests are strongly opposed to the abolition of the intermediate category for credit advertisements. The following are the main points which they have made:-

(a) Most advertisements for credit are in the intermediate category at present.

(b) This is the only category in which the availability of credit and key features of the credit terms (APR, upper and lower value limits) can be presented without the need also to include a lot of less important and less relevant information (eg typical examples of repayments). If the category was abolished consumers would be deprived of information as credit advertisements would have to either be "simple" (containing no information about facilities) or "full" (containing so much information that key features would become submerged).

(c) Advertising on TV and radio would be particularly seriously affected. It is virtually impossible in such advertising to convey repayment details in an effective way. The result would be advertisements cluttered with information which is largely irrelevant to the particular consumer.

(d) Abolishing the intermediate category will not help reduce the number of illegal advertisements. The solution to this problem lies in improving enforcement. Tightening the regulations will only worsen the problem by increasing the competitive

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advantage to be gained from breaching the regulations.

2.41 However some consultees from the credit industry and enforcement authorities have suggested two alternative ways of reducing the number of unlawful advertisements and of avoiding incomplete and so misleading information on credit terms whilst still allowing a clear and uncomplicated description of credit facilities. Both alternatives are based on a distinction between information about the price of credit and other information about credit. One option is to allow the intermediate category to continue but to exclude all "price" information from it. Another option is to abolish the intermediate category but allow the "simple" category to include some non-price information.

INFORMATION TO SUPPLEMENT THE APR (3.10)

2.42 Proposal Wherever an APR must be stated in an advertisement it shall be accompanied by a statement of the amount of the credit, the frequency, number and amount of repayments of credit and the total amount payable under the agreement to which the APR relates or a typical example of such items.

2.43 Views of Consultees Consumer representatives and enforcement agencies gave strong support to the principle of this proposal. Public understanding of the APR remains at a low level and supplementary information is needed if consumers are to understand the true cost of credit: eg if the APR is shown in conjunction with the amounts payable consumers could see that a loan with a high APR over a short period is cheaper than a loan with a lower APR over a long period.

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2.44 Credit industry interests, are strongly opposed to the proposal on the grounds that it will make advertising of credit more expensive and less effective. They point out that much credit advertising is for credit facilities which can be used in numerous different ways and that repayments will vary according to the amounts of credit taken and the pattern of use. Advertisements would in practice have to use the device of one or more examples. This would add significantly to the length of the advertisement without providing useful information to the consumer. There would be a particular problem in relation to TV and radio advertising.

2.45 The credit industry are also concerned that the information provided may be misleading because assumptions will have to be made which are unlikely to correspond exactly with the outturn.

TYPICAL EXAMPLES (3.14)

2.46 **Proposal** Where advertisements give typical examples which include details of any of the following items, they shall include details of all the items. The items are:-

(a) number frequency and amount of repayments;
(b) total amount payable
(c) APR.

2.47 **Views of Consultees** There was some support in particular from enforcement interests to the principle that if an advertisement quotes a typical example it should be a complete example including details of repayments, total amount payable and APR. However, credit industry interests argued that the result would be to make advertisements less effective by cluttering them up with information which would be irrelevant for many people.

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2.48 A number of other points were made:-

(a) The effect of the proposal would be that whenever an APR was stated, the advertisement would be turned into a full credit advertisement as it would have to include details of repayments.

(b) The proposal needs modification to apply to running account credit as it is not practicable to give details of repayments which would be meaningful for the majority of consumers.

(c) There is a need to define "typical" to avoid the abuse of advertisements featuring terms available only in a minority of cases and which are much more attractive than typical examples.

TOTAL AMOUNT PAYABLE (3.22)

2.49 **Proposal** It is proposed to stipulate specific assumptions to be used in calculating the Total Amount Payable in the case of variable interest rate agreements and, in particular, low start loans.

2.50 **Views of Consultees** There was some support for this proposal and no opposition to the principle of prescribing assumptions to be used in calculating "Total Amount Payable". However a number of technical problems were identified.

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PROPOSALS FOR AMENDING THE CONSUMER CREDIT AGREEMENT REGULATIONS

WARNINGS IN AGREEMENTS - GENERAL (4.2 - 4.10)

3.1 Proposal The consultative document makes a number of proposals for requiring warning messages to be included in credit agreements. Each of the messages would be preceded by a flag word "WARNING".

3.2 Views of Consultees Credit industry interests and several other consultees have argued that the proposals would be ineffective because there would be too many warnings for consumers to absorb. However, the concern about multiple warnings is less strong in the case of agreements than it is in the case of advertisements.

3.3 The credit industry, advertising and media interests have suggested that quotations and agreements are a more effective vehicle for warnings than advertisements. The argument is that these are documents which the borrower is expected to scrutinise in detail and therefore that he can absorb more information. In addition at this stage it is possible to give the borrower details which are specific to him. By contrast some representatives have emphasised the need for consumers to have information "early on in the process of buying credit so that consumers can compare products."

3.4 Finally credit industry and media interests have argued that the flag word "WARNING" is out of proportion to the risk. They maintain that it is appropriate only in the context of possible dangers to physical health.

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3.5 Proposal All credit agreements, except the ones listed below, should contain the following statement in the signature box:

"WARNING: DO NOT SIGN THIS AGREEMENT UNLESS YOU ARE SURE THAT YOU CAN AFFORD THE PAYMENTS".

The exceptions are listed below together with the alternative form of statement required in these cases.

(i) Pawn agreements "WARNING: DO NOT SIGN THIS AGREEMENT UNLESS YOU WANT TO BE LEGALLY BOUND BY ITS TERMS. This document is also your pawn receipt. Keep it safely".

(ii) Agreements for running account credit "WARNING: DO NOT SIGN THIS AGREEMENT UNLESS YOU WANT TO BE LEGALLY BOUND BY ITS TERMS".

(iii) Modifying agreements "WARNING: DO NOT SIGN THIS AGREEMENT UNLESS YOU ARE SURE THAT YOU CAN AFFORD ANY NEW PAYMENTS".

3.6 Views of Consultees Consumer representatives, support the proposal that agreements should contain a warning about affordability. Enforcement agencies also support it. Credit industry interests generally oppose it. The arguments made for and against a warning about affordability in agreements are broadly the same as those advanced in relation to an affordability warning in advertisements.

3.7 The credit industry point out that the requirement for a warning about affordability in agreements will entail the redesign of virtually all agreement forms and of the

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computer systems used to generate agreements. Yet, in the view of the industry, it will not significantly increase consumer protection. The industry argues that the present statement in the signature box of credit agreements is at least as good.

WARNING ABOUT SECURED LOANS (4.4)

3.8 Proposal The warning statement in the signature box of all credit and hire purchase agreements which are secured on any property of the borrower should include the following statement "WARNING: IF YOU DO NOT KEEP UP PAYMENTS UNDER THIS AGREEMENT YOU RISK LOSING THE MORTGAGED PROPERTY". Comments were invited on whether the requirement to make this statement should be disapplied in the case of agreements for Home Income Schemes which are so constructed as to avoid any risk of non-payment by the borrower during his lifetime.

3.9 Views of Consultees Most consultees who commented on this proposal supported the principle of a warning statement about secured loans being included in agreements. A number are concerned that the proposed statement may have less impact than the equivalent statement in advertisements because it does not use the words "your home". Comments on the possible exemption for Home Income Schemes were divided in the same way as for the similar exemption canvassed in relation to advertisements.

WARNING ABOUT FOREIGN CURRENCY LOANS (4.6)

3.10 Proposal Credit agreements which provide for the amount of payments by the borrower to be determined by reference to a currency or unit of account other than sterling or which contain an option for the amount of payments to be

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so determined, should include the following statement "WARNING: THE AMOUNT WHICH YOU ARE REQUIRED TO PAY UNDER THIS AGREEMENT MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS". Agreements under which payments by the borrower are to be made in a currency other than sterling or which contain an option for payments to be made in a currency other than sterling should include the following statement "WARNING: THE STERLING EQUIVALENT OF THE AMOUNT WHICH YOU ARE REQUIRED TO PAY UNDER THIS AGREEMENT MAY BE INCREASED BY EXCHANGE RATE MOVEMENTS".

3.11 Views of Consultees All those who commented on this proposal supported the principle of having warnings about exchange rate movements in foreign currency loan agreements. A number of suggestions for simplifying the wording were made. Amongst the suggestion made was one for substituting "the amount which you owe" for "the amount which you are required to pay".

WARNING ABOUT RENTAL PURCHASE OF HOMES (4.10)

3.12 Proposal Rental purchase agreements should include a statement on the following lines "YOUR LOCAL CITIZENS ADVICE BUREAU OR TRADING STANDARDS DEPARTMENT CAN GIVE YOU FREE ADVICE ON THE ADVANTAGES AND DISADVANTAGES OF THIS TYPE OF AGREEMENT AND ON HOW TO SEEK ADVICE FROM SOLICITORS EITHER FREE OR AT A REDUCED FEE".

3.13 Views of Consultees There was general support for the principle of a statement about rental purchase and for the suggestion that the statement should give details of where to go for free or low cost advice since people who use rental purchase are predominantly on low incomes. However one consumer body has suggested that the statement should emphasise the need to get advice rather than just say where to go for it.

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3.14 Some representatives of enforcement interests whilst supporting the proposal in principle say that trading standards departments may only be able to give the most general advice. They suggest either further funding to train trading standard officers on this subject or that guidance should be circulated.

WEEKLY EQUIVALENT (4.8)

3.15 Proposal To prohibit the inclusion of examples of periodical equivalents in agreement forms, or in documents referred to in the agreement forms, where the agreement does not provide for such arrangements.

3.16 **Views of Consultees** those who commented on this proposal supported it.

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PROPOSALS FOR REGULATIONS ON THE CONDUCT OF BUSINESS

SENDING CREDIT CIRCULARS TO MINORS (5.2)

4.1 Proposal A person licensed under the Consumer Credit Act should:

(a) take reasonable precautions to ensure that mailing lists for credit circulars contain the name only of adults; and

(b) keep copies of mailings lists and records of the precautions taken for at least one year after each mailing.

4.2 Views of Consultees Views expressed on this proposal were very similar to the comments on the proposal to amend Section 50 of the Consumer Credit Act. (See para 2.2 of consultative document).

4.3 However, the proposed regulation unlike the proposed amendment to the Act would require licensees to "keep copies of mailing lists and records of the precautions taken for at least one year after each mailing". Several credit industry consultees have objected to this proposal. It has been pointed out that when lenders mail their customers there is not usually a mailing list as such. Mailings are done from account files using inhibitors to exclude certain categories of customer from the mailing. As account files are usually amended on a daily basis, the proposal would involve copying and retaining files which would involve a substantial cost.

SENDING UNSOLICITED CREDIT CIRCULARS TO PEOPLE WHO DO NOT WISH TO RECEIVE THEM

4.4 Proposal [A] A person licensed under the Consumer Credit Act who is not a member of the Mailing Preference Service should:

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(1) ensure that all credit circulars contain a statement advising people who do not want to receive further credit circulars from the licensee to notify him of that fact;

(2) take reasonable precautions to ensure that no further credit circulars are sent to people who have so notified the licensee.

[B] A person licensed under the Consumer Credit Act who is a member of the Mailing Preference Service should either comply with A(1) and A(2) above or:

(1) ensure that all credit circulars contain a statement (a) advising people who do not want to receive further credit circulars from members of the Mailing Preference Service to notify the Service of that fact and (b) giving the address of the Service;

(2) take reasonable precautions to ensure he does not send circulars to people who have registered with MPs.

4.5 **Views of Consultees** The proposal was supported by consumer bodies and enforcement authorities.

4.6 Credit industry and direct mail industry interests, objected strongly to the proposal. The main objections were:

(a) There is no indication that substantial numbers of people are concerned about receiving unsolicited mail offering credit.

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(b) The proposals go against the right to freedom of communication contained in Article 10 of the Council of Europe Convention on Human Rights.

(c) Since businesses have no interest in sending circulars to people who do not want to receive them self-regulation and sound business practice should be left to deal with the problem. The Advertising Association's "Recommended Standards of Practice in List and Database Management for Direct Marketing Purposes" and the proposed additions to the British Code of Advertising Practice go a long way to meet the objectives of the proposed regulation.

(d) It is inappropriate for the Mailing Preference Service (MPS), as a self-regulatory body set up to address a particular problem, to be cited in legislation. It is conceivable that at some future time the MPS as it is currently constituted may no longer be the appropriate mechanism by which to achieve the stated objectives.

(e) The MPS does not allow people to select to stop only one type of mail. Consumers could therefore only use MPS to stop credit circulars if they are prepared also to stop other types of direct mail. In addition the MPS does not apply to mailings by organisations which already have a trading relationship with the addressee.

CREDIT LIMITS (5.6)

4.7 Proposal A person licensed under the Consumer Credit Act should not increase the credit limit under any agreement for running account credit (except where he intends the excess on that limit to be temporary) unless the increase

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has been requested by the debtor or is simply an adjustment for inflation.

4.8 Views of Consultees The proposal was supported by some consumer bodies and by enforcement authorities. A recent survey showed that 84% of people agreed with the statement that "credit card limits should only be increased at the customer's request, not automatically". However, one consumer body has said that the inconvenience caused to consumers by the proposal outweighs any potential benefits. Nonetheless it added that consumers should have the right to object to an increase before it is imposed.

4.9 There were widespread objections from credit industry interests. These may be summarised as follows.

4.10 The experience of lenders who offer unsolicited limit increases is that the incidence of customer complaints is very low.

4.11 There is a much cheaper method of ensuring that customers who wish their limit to remain at its previous level do not have an increase forced upon them. This is to set up a procedure for customers to notify lenders that their credit limit should not be increased except at the customer's request. This could be done by ticking a box in the original credit agreement and in any document notifying an unsolicited increase in a credit limit. In the latter case the customer might not only be given the option of refusing the particular increase but also given the option of requesting that no further unsolicited increases should be made.

4.12 The credit industry does not consider that unsolicited increases in credit limits lead to over-commitment. Card issuers only grant increases to cardholders who have

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maintained a satisfactory account over a period of time and have demonstrated their creditworthiness. Statistical techniques such as behavioural or performance scoring are becoming more widely used.

4.13 As well as identifying customers who can manage an increase, behavioural and performance scoring also pinpoint customers who need a limit increase. Many creditworthy customers are nervous of asking for an increased limit and welcome being given one.

4.14 The alternative to unsolicited increases is offering limit increases which become effective only if accepted. This is an expensive procedure and causes inconvenience. Many customers do not reply but assume that the limit has been increased and use it. If the card issuer does not allow the account to be overdrawn, the customer will be inconvenienced and annoyed.

4.15 Finally it is argued that if limit increases are restricted, card issuers will be less able to 'tailor' credit limits once accounts have been opened. Current good practice is to set fairly low initial credit limits and regularly review them in line with account performance as described above. The temptation in future might be to grant higher initial credit limits. If so the proposal would have achieved exactly the opposite effect to the one intended.

INERTIA SELLING (5.8)

4.16 Proposal A person licensed under the Consumer Credit Act should not present or send to borrowers or prospective borrowers consumer credit documents containing inertia selling provisions: ie provisions such as "negative options" which have the effect that an optional service

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will be provided at a charge to the borrower unless he takes some positive action to decline the service.

4.17 Views of Consultees This proposal was strongly supported by consumer representatives and enforcement authorities. It has, however, been argued that the proposal may not be effective in the case where an agreement is completed in the presence of a salesperson who fills in parts of the agreement by ticking boxes. It is suggested that acceptance of each option should require a separate signature.

4.18 Credit industry and insurance industry interests are strongly opposed to the proposal.

4.19 They argue that the proposal will reduce the take-up of Payment Protection Insurance. Take-up under the negative option is several times higher than under the positive option. The increased take-up under negative option is primarily due to marketing psychology. It appears "normal" to have insurance cover and unusual not to. There is no evidence to show that consumers are substantially less aware under negative option than under positive option.

4.20 It is said that there are almost no complaints from consumers about Payment Protection Insurance which is sold on the basis of a clear negative option.

4.21 The industry also argues that if less Payment Protection Insurance is sold there would be an increase in cases of over-indebtedness. According to a recent survey on consumer over-indebtedness, nearly half of all consumers who had experienced debt problems had done so because of some unexpected misfortune such as unemployment, sickness or a death in the family rather than because they had overspent. Payment Protection Insurance enables people

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facing difficulties of this kind to meet their credit obligations without cost.

4.22 It is also argued that Payment Protection Insurance significantly reduces lenders' bad debt risk and increases their income through commission. If these benefits were taken away lenders would have to increase interest rates and/or other charges.

4.23 The credit industry and insurance industry would prefer to retain the use of negative options but subject to safeguards for the consumer such as would have been provided by the draft code developed by the Association of British Insurers and the Finance Houses Association. The code would require clear, noticeable and explicit consumer information to be displayed prominently on all sales literature and application forms. It would also require that customers be given a "cooling off" period during which they could cancel coverage without cost.

4.24 The draft Regulation would ban outright the use of the negative option. It does not say what companies <u>should</u> do but merely states what they <u>cannot</u> do. Some consultees believe that as drafted the Regulation could allow outright <u>inertia selling</u> while banning the negativ option.

4.25 It is said that if the negative option is outlawed, it likely that higher risk individuals will continue to apply while low risk individuals will be less likely t do so. This will damage the actuarial base of the insurance in the same way as if, for example, only pe in poor health applied for life insurance. This will increase the cost of premiums. As coverage becomes mc expensive, it is likely to become even more self-selecting, with still more lower-risk customers declini coverage whilst the worse risk individuals will continue

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to opt in. This spiral could make Payment Protection Insurance uneconomic, with resultant damage not only to credit companies but also to individuals who need to claim in times of hardship.

4.26 It is also argued that consumer awareness of Payment Protection Insurance is low, because it is sold through the relevant credit plan rather than directly to the customer. To achieve a sufficient critical mass under positive option, significant consumer demand would need to be generated. This would probably involve an industry-generic advertising campaign, production of staff training videos, and redeploying trainers to brief staff at the point of sale. It is said that this would be expensive and ultimately the consumer would bear the expense.

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PROPOSALS FOR REGULATIONS ON THE PRE-AGREEMENT DISCLOSURE OF INFORMATION: EXPLANATION OF POTENTIAL COMMITMENT (6.2)

5.1 Proposal Anyone who is offering to provide or arrange a variable interest rate secured loan should be required to provide to the prospective borrower in writing before the agreement is made, a statement of [A] the amounts payable under the loan if the interest rates chargeable will start at the level quoted and will remain at that level for the whole term of the loan and [B] the amounts payable under the loan in the event of interest rates being at the level determined under [A] plus 1%.

5.2 Views of Consultees There is wide support for the concept of prospective borrowers under secured loans being given an estimate of repayments and an illustration of how repayments could be affected by changes in interest rates. However, most consultees who commented on this proposal found the draft regulations difficult to understand.

5.3 Those who oppose the concept of the proposal argue that borrowers are well aware that interest rates can fluctuate and that when rates go up so do the amount of payments. They argue that although the very sharp increase in mortgage interest rates between Spring and Autumn 1989 from 7.5% to 15.5% has caused borrowers difficulty this shows only that some borrowers were caught out by the scale of changes and the persistence of high rates. It does not show that borrowers generally are unaware of the likelihood of some change in rates and consequential changes in payments.

5.4 Other consultees argue that very sharp fluctuations in interest rates are a problem of the past and that in any event, recent experience of volatile interest rates will

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itself make many borrowers more cautious about taking on commitments which they could not sustain in the event of a modest increase in interest rates.

5.5 A major problem in the view of a number of consultees is that as drafted at present the proposal would not apply to loans of over £15,000. This is a serious anomaly because the effect of interest rate increases is felt most strongly in the case of larger loans, in particular residential purchase mortgages.

5.6 Concern has been expressed by the credit industry about the costs of implementing the proposal which would include new forms, staff training and new computer systems, and which would be both substantial and time consuming.

5.7 Both consumer and enforcement bodies doubt whether the present proposal would work in the case of stabilised mortgages and deferred interest loans.

5.8 It has been suggested by one consumer organisation that the prevailing interest rate plus 5% should be shown. It is argued that this would give a truer reflection of the effect of a substantial rise in interest rates.

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COMING INTO FORCE

6 Proposal The consultative document proposes bringing regulations into force 3 months after they are laid in Parliament.

6.1 Views of Consultees The credit industry and enforcement authorities have said that the proposal in the consultative document to bring regulations into force 3 months after they are laid in Parliament gives insufficient time for the many changes which would be required for example to forms and advertisements and to computer systems. They also point out that time will be needed for training of staff. A number of alternative proposals have been made for a longer implementation period. Some consultees have suggested 9 months; others have asked for 12 months.

6.2 A number of consultees have also suggested that there should be a transitional period in which agreements and advertisements could comply with either the present regulations or new ones. Such an overlap would avoid the disruption and additional expense of an overnight change.

6.3 The Government has also been urged not to require a change to new documentation over the Christmas shopping period.

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COMPLIANCE COSTS (7.1)

7.1 The consultative document does not include a quantified estimate of compliance costs but indicates the type of costs which might arise.

7.2 Commentators have not provided much quantified data on costs and even where quantitative estimates have been made they usually fail to distinguish between recurring and non-recurring costs.

7.3 Overall it is suggested by credit industry consultees that the proposals could result in additional first year costs (both recurring and non-recurring) running into tens of millions of pounds. It has been said that these costs could be substantially reduced by appropriate modifications of the proposal. In particular the non-recurring costs could be much lower if additional time is allowed for implementation of the proposals. However consultees have not provided estimates of the amounts of reductions which might be achieved.

7.4 Consultees have suggested that the following are the main types of cost which would arise if the proposals were implemented in their present form.

(a) Wasted printed documentation, including posters, leaflets etc and agreement forms.

(b) Reprinting documentation, which will cost more if printers have to do the work urgently (to a 3 month transitional period), and will involve costs for changing artwork.

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(c) Additional space in press to accommodate larger advertisements with a series of warnings.

(d) Additional air time on broadcast media to accommodate sound warnings.

(e) Revising internal advertising clearance procedures.

(f) Revising internal consumer credit compliance procedures in respect of the new regulations particularly on pre-agreement disclosure of information.

(g) Changing computer systems, particularly in relation to the new regulations on pre-agreement disclosure of information.

(h) Staff retraining.

(i) Additional marketing activity to promote payment protection.

(j) Additional administration and insurance or higher default rate if credit limits cannot be increased without a request.

(k) Vetting of Mailing lists to remove the names of everyone who is not known to be an adult.

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LIST OF CONSULTEES

Abbey National plc

Abbott Mead Vickers

Access Brand Ltd

Access Parliamentary Public Affairs

The Advertising Association

Advertising Standards Authority

Alliance & Leicester Personal Finance Ltd

Allchurches Life Assurance Ltd

Allen & Overy

Allied Dunbar Assurance plc

American Express Europe Ltd

Association of Metropolitan Authorities

Association for Payment Clearing Services

Assured Investment Services

Bank of England

Barclaycard

Barclays Bank plc

Bennetts of Sheffield Ltd

Birmingham City Council

Birmingham Settlement Money Advice Centre

Blyth McKenna plc

Black Horse Agencies Ltd

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Bolton Trading Standards

Argos Distributors Ltd

Association of British Chambers of Commerce

Association of British Insurers

Association of British Travel Agents

Association of County Councils

Association of District Councils

Association of Independent Radio Contractors

Association of Local Authorities in NI

Association of London Authorities

Brasstacks Publishing Co Ltd

Bristol & West Building Society

British Bankers Association

British Direct Marketing Association

British Gas plc

British Insurance & Investment Brokers Association

British Insurers International Committee

British Shops & Stores Association

British Telecom

British Telecom Insurance Services

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Ian Bruce MP

Association of Mail Order Publishers

The Building Societies Association

The Building Societies Commission

Department of Economic Development

Department of Education and Science

Butterworths Consumer Law Bulletin

Derbyshire Building Society

Deregulation Unit

Card Protection Plan

Diners Club Ltd

CC Marketing Consultants

Direct Mail Services Standards Board

CCN Systems Ltd

Direct Selling Association

City of Westminster

Cheltenham & Gloucester Building Society

Dixons Group Ltd

Dumfries and Galloway Regional Council

Cheshire Building Society

Electricity Association

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Committee of London & Scottish Bankers

Association Ltd

Confederation of British Industry

Consumer Credit Association (UK) Ltd

Consumer Credit Trade Association

Consumers' Association

Consumers in the European Community Group

Convention of Scottish Local Authorities

Co-operative Union Ltd

Corporation of Finance Brokers Ltd

Corporation of Insurance & Financial Advisers

Equifax Europe Ltd

Equipment Leasing Familybase

FIMBRA

Finance Houses Association

Finance Industry Standards Association (FISA)

Financial Insurance Group

First National Bank plc

Ford Motor Credit Co Ltd

Frizzell Insurance & Financial Services Ltd

General Accident

Glos. Money Advice Service

Prof R Goode

Greyhound Bank plc

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Hampshire County Council

Council of Mortgage Lenders

Courts Furnishing Stores

Credit Action

Credit and Check Traders Association

Credit & Data Marketing Services Ltd

Credit Services Association

David Martin Associates

Harris Rosenblatt & Kramer

Hinckley & Rugby Building Society

Hire Association Europe

Home Bridging plc

Malcolm Hurlston Esq

Incorporated Law Society of Northern Ireland

Incorporated Society of British Advertisers Ltd

Independent Television Association

Independent Television Commission

Infolink Ltd

Institute of Consumer Advisers

Liverpool Trading Standards Department

Lloyd's of London

Local Authorities Co-ordinating Body on Trading Standards

London & Edinburgh Insurance

London Boroughs Association

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Institute of Credit Management Ltd

Institute of Practitioners in Advertising

Institute of Trading Standards Administration

Islington Council Environmental Services Dept

JCB Credit Ltd

J Walter Thompson Co Ltd

John Charcol

John Lewis Partnership

Jubilee Centre

Kent County Council

Lambeth Building Society

Lancashire County Council

Law Commission

Law Society

Law Society of Scotland

London Chamber of Commerce & Industry

London Personal Finance Association Ltd

Lord Chancellors Department

Lovell White Durrant

The Mail Order Traders Association

Mailing Preference Service

Manchester Trading Standards Office

MFI Furniture Centres Ltd

Midland Trading Standards Liaison Group

Jeremy Mitchell Esq

Mortgage Corporation Ltd

Motor Agents Association

Motor Cycle Industry Association

National Association of Citizens Advice Bureaux

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Leeds Permanent Building Society

Leicester County Council

Lewis Silkin (Solicitors)

Linked Life Assurance Group

Liverpool Trading Standards Department

Lloyds of London

National Association of Estate Agents

National Chamber of Trade

National Consumer Council

The National Consumer Credit Federation

National Federation of Consumer Groups

National Federation of Credit Unions

Retail Consortium

Retail Credit Group

RETRA

Rowe & Maw

Saunders Sobell Leigh & Dobin

Scottish Consumer Council

Scottish Law Commission

Sears Financial Services Ltd

SIB

Signet Ltd

The National Pawnbroker's Association Incorporated

National & Provincial Building Society

Nationwide Anglia Building Society

The Newspaper Society

Newspaper Association

NIIB Group Ltd

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Northern Bank Ltd

Northumberland County Council

Nottinghamshire County Council

Office of the Data Protection Registrar

Office of Fair Trading

Osborne Clarke

J Pearson Andrew

Pinnacle Insurance Co Ltd

Policy Studies Institute

Preston Trading Standards Department

Provident Financial Group Plc

Provincial Bank Plc

Radio Electrical and Television Retailers Association Ltd

Ratners Group Plc

Registry of Friendly Societies

Skipton Building Society

Society of Motor Manufacturers & Traders Ltd

Special Risk Services Ltd

Staffordshire Building Society

Staffordshire County Council

Colin Thornhill Esq

Timeshare Council

Trades Union Congress

TSB Group Plc

UADT Infolink

WDC International

Welfare Rights Money Advice Unit

Welsh Consumer Council

Wessex Insurance

West Yorkshire Trading Standards Service

What Mortgage

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Women's Gas Federation

Women's National Commission

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